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Hearings. v. 89-91. 1960.

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*Hon C.P. McTaggart*

# ROYAL COMMISSION

ON

# TRANSPORTATION

## HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

89

SEP. 19 1960

OFFICIAL REPORTERS  
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I N D E X

Page No.

BRITNELL, George E.

Direct examination

By Mr. Carter (resumed)

15206

Cross-examination

By Mr. Cumming

15328

NO EXHIBITS IN THIS  
VOLUME





ERRATA

Volume 89

<u>Page</u>	<u>Line</u>	
15310	22	Add "To be"
15316	8	After "was" insert "not"
15318	16	Change "of" to "or"
	17	Add "it" after "requires"
15320	8	Add "of"
	24	Change "intra" to "entry"
15321	2	Change "contract" to "truck"
15322	20	Change "Board" to "Province"
15323	3	Change "compete" to "complete"
15325	23	Add "having to do" after "application"
15326	2	Change "droffing" to "forbidding"
	5	Delete "Those tariffs which have to be filed and published would be subject to control, entry," and so on and substitute: "Thus, tariffs would have to be filed and published, entry would be subject to control" and so on.







Volume 90

<u>Page</u>	<u>Line</u>	
15353	27-28	Change "ultra mountain" to ultramontane"
15361	28	After "for the first part" insert "make it possible to"
15366	9	Change "personal" to "person"
15404	10	Change "You" to "We"
15473	18	Change "interlude in 1922 and 1923" to "interlude from 1918 to 1922 or 1923"
15474	5	Change "have" to "had" and "factors" to "periods"

Volume 91

15510	11	Change "inequality" to "inequity"
	12	Where dots are insert "The Province also rejects the assumption made by the railways that" and delete the word "of"
	15	Change "weakness" to "continuance" and insert "a" at end of line.
	20	After "evaluate" insert the words "or cost arbitrarily selected seg- ments of their " -- add this where dots are.
15527	23	Change "gloom" to "bloom"
15530	19	Change "him" to "them"
15531	5	Change "strife" to "stripe"
15537	27	After "dictum" add "about"
	28	After "the chosen" insert "instrument of national"
15540	23	Change "environment where" to "ancient communion which held that open"
	25	Change "doing" to "practising"







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E R R A T A

VOLUME 91.

Page      Line

15555	20	Delete "or" substitute "of"
	22	"    "degress"    "    "degree"
15556	4	"    "Branforan"    "    "Bronfman"
	21	"    "1958"    "    "1938"
	26	"    "Manito"    "    "Manitoba"
15557	4	"    "to"    "    "in"
15563	25	"    "is"    "    "in"
15565	10	correct spelling of "disproportionate"
15573	6	Delete "minimum dis--"
		Substitute "minimum non-dis--"
15578	5	After "Variable costs"
		Add "at"
	13	After "50,000 lbs. each"
		Add "at"
15581	12	Delete last word "general"
15590	25	After "page" add "l"
15592	1	Delete "dominion" substitute "dominant"
15604	25	First three words should read "by 30 cents"
15608	25	First word should read "illustrative"
15609	10	Insert "which" after "miles"
	25	Insert "a" after "with"
15615	25	Word should read "dot"

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(v)

Volume 91 (cont'd)

Page      Line

15541	14	After "that no one" insert "may"
15542	28	Change "some" to "one" and add to end of line "wished to"
15543	29	Change "Commissions" to "Commissioners"
15544	22-23	Change "DBS" to "waybill"
15545	2	Change "DBS" to "waybill"

- - - - -







ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Trans-  
port Commissioners Offices,  
Ottawa, Ontario, on the 19th day  
of September, 1960.

COMMISSION:

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. M. Anscomb	Member
Mr. A. M. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser
Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary







Ottawa, Ontario,  
Monday,  
September 19, 1960

---On commencing at 10.00 a.m.

THE CHAIRMAN: Order, please.

DIRECT EXAMINATION BY MR. CARTER (resumed):

THE WITNESS: Mr. Chairman, I am now beginning Part II of our General Submission on National Policies and their Effects on the Saskatchewan Economy.

1. The Order in Council which established this Commission and stated its terms of reference made clear the intention of the Government that the proceedings of the Commission should emphasize the national interest and the furtherance of national economic policy. It is the considered and firm opinion of the Government of Saskatchewan that effective measures for the furtherance of national policy in any of its varied aspects can be devised only if care is taken to relate these measures to the origins and development of such policy.

2. In its submission on the Crow's Nest Pass Agreement and Grain Rates the Province of Saskatchewan outlined the background and nature of the policy which was developed in the mid-nineteenth century looking toward the integration of the British North American colonies and territories on a national basis. It was indicated in that submission that the creation of a national interest and its earliest measure of





fulfilment required the construction of railways linking the provinces on the St. Lawrence with the Atlantic and with the Pacific to provide the bare skeleton for a Canadian nation. It was further pointed out that the location of these railways was more powerfully influenced by strategic considerations than by regard for economy of construction or operation or, indeed, for early traffic possibilities. Finally, it was made clear that the cost of construction, the scarcity of capital and the uncertainty of profitable returns rendered it inevitable that these essential links would be provided either by out-and-out state enterprise or by an organization in which the fiction of private enterprise might be preserved at the cost of huge public subventions and special privileges.

3. The benefits to be derived from policies which are in the national interest do not necessarily flow in equal measure to all parts of the nation. Nor do the costs which inevitably attend worthwhile policies fall uniformly on all segments of the national economy. These conditions apply to individual policies and can, of course, apply with cumulative force to groups of policies taken as a whole. This does not provide a conclusive or even a relevant argument against individual policies but the corollary is that, where burdens are necessarily imposed unequally in the national interest, the utmost care must be taken to compensate for the inequity in other ways.







1  
2 4. The Government of Saskatchewan submits that  
3 these points must be kept in mind in interpreting the  
4 significance of basic Canadian national policies on  
5 transportation and trade and in assessing their impact  
6 on the economy of the province. The first Canadian  
7 railway to the Pacific coast was built with public  
8 assistance derived for the most part from the resources  
9 of the prairie provinces. The all-Canadian location  
10 of the railway and the policy of protective tariffs  
11 forces the prairie provinces as, indeed, was the  
12 deliberate intention, to rely on artificially protected  
13 and subsidized industry in central Canada. Producers  
14 in the prairie provinces are consequently forced to pay  
15 higher prices for essential capital equipment not only  
16 because of excessively high costs of Canadian industrial  
17 production but also because of the greater distances  
18 from the centres producing such equipment.

19 5. It would be inappropriate to adduce evidence  
20 before this Commission concerning either the merits of  
21 these policies or the extent to which they may have been  
22 essential to the creation of a national Canadian entity.  
23 The Province of Saskatchewan has no intention of raising  
24 these issues. The evidence adduced is only that which,  
25 in the opinion of the province, is necessary to an  
26 assessment of the impact of national trade and trans-  
27 portation policies on the provincial economy. Such  
28 an assessment, in turn, is essential to the under-  
29 standing of the place of Saskatchewan producer and  
30 consumers in the Canadian transportation structure.







1  
2 Public Assistance toward the Construction of the  
3 Pacific railway.

4 6. The construction of the Pacific railway became  
5 a contractual obligation of the Dominion Government as  
6 part of the terms of union under which British Columbia  
7 entered Confederation in 1871. The onerous commitment  
8 was couched in the following words (from Order in  
9 Council respecting the Province of British Columbia,  
10 Windsor, May 16, 1871: Article 11 of Joint Address  
11 of the Senate and the House of Commons of Canada  
12 to Her Majesty stating the terms and conditions for  
13 the entry of British Columbia into the Union, printed  
14 in Statutes of Canada, 34 and 35 Vic. (1871), page  
15 lxxxviii):

16 "The Government of the Dominion under-  
17 take to secure the commencement simultan-  
18 eously, within two years from the date of  
19 the Union (later established at July 20,  
20 1871) of the construction of a railway  
21 from the Pacific towards the Rocky Moun-  
22 tains, and from such point as may be  
23 selected, east of the Rocky Mountains,  
24 towards the Pacific, to connect the sea-  
25 board of British Columbia with the railway  
26 system of Canada; and further, to secure  
27 the completion of such railway within ten  
28 years from the date of the Union."

29 The Government of British Columbia on its part agreed  
30 to convey lands to the Dominion Government in furtherance





1  
2 of this project similar in extent to the amount  
3 which the Dominion appropriated therefor from the  
4 public lands of the Northwest Territories and the  
5 Province of Manitoba.

6 7. The commitment to build the Pacific railway within  
7 ten years alarmed many of the supporters, as well as  
8 the political opponents, of the Government of the day.  
9 To allay their fears a resolution was introduced  
10 into the Dominion House and, after considerable debate  
11 and modification, was accepted in the following form  
12 (Canada, House of Commons, Debates, April 11, 1871,  
13 pages 1027-30):

14 "That the railway . . . should be con-  
15 structed and worked by private enterprise,  
16 and not by the Dominion Government; and that  
17 the public aid to be given to secure that  
18 undertaking should consist of such liberal  
19 grants of land, and such subsidy of money,  
20 or other aid, not unduly pressing on the  
21 industry and resources of the Dominion, as  
22 the Parliament of Canada shall hereafter  
23 determine."

24 8. The Government followed up its pledge to  
25 British Columbia a year later by passing the first of  
26 three Canadian Pacific Railway Acts (Statutes of  
27 Canada, 35 Vic., c. 71, assented to June 14, 1872).  
28 This Act referred specifically to the resolution  
29 of 1871 concerning private enterprise and the degree  
30 of public assistance to be provided. The somewhat







1  
2 equivocal restriction in the resolution limiting public  
3 subsidies to those "not unduly pressing on the  
4 industry and resources of the Dominion," appeared in  
5 the preamble to the statute in much more specific form  
6 as "not increasing the present rate of taxation."

7 The wording of the statute is as follows:

8 "And whereas, the House of Commons of  
9 Canada resolved during the said now last  
10 session, that the said railway should be  
11 constructed and worked by private enter-  
12 prise and not by the Dominion Government;  
13 and that the public aid to be given to  
14 secure that undertaking, should consist  
15 of such liberal grants of land, and such  
16 subsidy in money, or other aid, not  
17 increasing the present rate of taxation,  
18 as the Parliament of Canada should there-  
19 after determine; . . .

20 "2. The whole line of the said railway  
21 shall be made and worked by private enter-  
22 prise, and not by the Dominion Government,  
23 and by one company . . ."

24 9. The intention was, in fact, amazingly clear  
25 and simple: the railway was to be built out of the  
26 proceeds of the lands through which it passed.  
27 British Columbia had already agreed to do its part in  
28 making land available and it was unthinkable that  
29 Ontario would hesitate to grant whatever areas might be  
30 required from the wilderness to the north of Lake





1  
2 Superior. But the greatest prospect lay in the inter-  
3 vening plains. The Macdonald Government had recovered  
4 from its embarrassment and chagrin on finding that the  
5 British Government had no intention of financing the  
6 purchase of Rupert's Land from the Hudson's Bay Company  
7 and had, with some reluctance, paid the stipulated  
8 price. The untimely and wholly unexpected necessity of  
9 extending a measure of self-government to a part of  
10 the newly-acquired territories led to the creation of  
11 the Province of Manitoba and to the decision, taken with  
12 no apparent degree of critical evaluation, to establish  
13 it as a province inferior in status to those already  
14 in existence.

15 10. The point in question was the control of  
16 crown lands. Section 109 of the British North America  
17 Act, 1867, had declared:

18 "All lands, mines, minerals, and royalties  
19 belonging to the several provinces of  
20 Canada, Nova Scotia, and New Brunswick at  
21 the Union, and all sums then due or payable  
22 for such lands, mines, minerals, or royal-  
23 ties, shall belong to the several provinces  
24 of Ontario, Quebec, Nova Scotia, and New  
25 Brunswick in which the same are situate or  
26 arise, subject to any trusts existing in  
27 respect thereof, and to any interest other  
28 than that of the province in the same."

29 The demands for provincial status put forward by the  
30 Red River colonists were accompanied by lists of







1  
2 conditions or rights. "There can be no doubt," says  
3 Professor Martin, (Morton, A.S., and Chester Martin,  
4 History of Prairie Settlement and 'Dominion Lands'  
5 Policy (Toronto, 1938), Part II, page 468) "that  
6 local control of public lands was one of the immediate  
7 demands not only of the French Metis at Red River but  
8 of every interest there, English-speaking and French,  
9 in every 'list of rights' which appeared during the  
10 Red River troubles of 1869-1870."

11 11. In spite of these facts the Manitoba bill  
12 as introduced and passed provided for retention of  
13 crown lands in the proposed province by the Dominion  
14 Government. Supporting the measure in debate,  
15 Honourable Sir George E. Cartier said (Dominion of  
16 Canada, Parliamentary Debates, Third Session, 1870,  
17 Volume I (Ottawa, Ottawa Times Printing and Publishing  
18 Co., 1870), May 2, 1870, page 1299):

19 "It must be in the contemplation of the  
20 members of the House that these (lands)  
21 could be used for the construction of the  
22 British Pacific Railway from the east  
23 to the west . . ."

24 The Prime Minister, Honourable Sir John A. Macdonald,  
25 said (Ibid., page 1309, Italics added) that it was  
26 worthy of attention how carefully the interest of  
27 the Dominion had been looked to in the reservation of  
28 all lands for all purposes.

29 "They (the residents of the Red  
30 River colony) wished Rupert's Land made





1  
2           into one province,"  
3 he told the House,  
4           "and to have all the land within the  
5           boundary as in other provinces . . .  
6           (but) the land could not be handed over  
7           to them, as it was of the greatest im-  
8           portance to the Dominion to have pos-  
9           session of it, for the Pacific Railway  
10          must be built by means of the land  
11          through which it had to pass."

12           12.           The Manitoba Act (Statutes of Canada,  
13          33 Vic., c. 3, s. 30) provided that --

14           "All ungranted or waste lands in the  
15           province shall be . . . vested in the  
16           Crown, and administered by the Govern-  
17           ment of Canada for the purposes of the  
18           Dominion . . ."

19           THE CHAIRMAN:   The emphasis, I suppose,  
20          is yours?

21           MR. CARTER:    I do not think there is  
22          any emphasis in the quotation from the Statute,  
23          Mr. Chairman.

24           THE CHAIRMAN:   In his speech.

25           THE WITNESS:    Yes, I was emphasizing the  
26          underlined portion, yes.    I do not know how Sir  
27          John -- what inflection he put on it, of course.  
28          I am sure it was a rolling period, though, sir.

29           THE CHAIRMAN:    But in Hansard it is  
30          not underlined?







1  
2 THE WITNESS: No, and we have, I think,  
3 indicated that the italics have been added -- footnote  
4 5 indicates that.

5 Indicating that this provision carried impli-  
6 cations for the nation and the concept of national unity  
7 far beyond those apparent on the surface, Professor  
8 Martin remarks (Morton and Martin, History of Prairie  
9 Settlement and 'Dominion Lands' Policy, page 469):

10 ". . . the doubtful validity of this historic  
11 enactment was repaired by the Imperial B.N.A.  
12 Act of 1871, confirming the Manitoba Act  
13 'for all purposes whatsoever.'

14 13. The natural resources lying beyond the  
15 boundaries of the new province of Manitoba constituted  
16 Dominion lands, without any special enactment, for  
17 the whole of the "Northwestern Territory" was transferred  
18 to the Dominion Government in 1870 alongwith Rupert's  
19 Land. The fundamental significance of the acquisition  
20 of the massive western territories by the Dominion and  
21 the determination of the Dominion Government to retain  
22 and utilize them for national purposes are succinctly  
23 expressed in the following paragraph by Professor  
24 Martin (Ibid., page 223):

25 "In truth the transfer of 1870 marked a  
26 revolution not only in administration  
27 and land policy, but in the very nature of  
28 the Canadian federation. It transformed  
29 the original Dominion from a federation of  
30 equal provinces each by a fundamental





1  
2 section (109 of the British North America  
3 Act of 1867) vested with the control of  
4 its own lands, into a veritable empire in  
5 its own right, with a domain of public  
6 lands five times the area of the original  
7 Dominion, under direct federal administra-  
8 tion. For the new province of Manitoba  
9 as well as for the Northwest Territories  
10 'all ungranted or waste lands' were by  
11 statute to be 'administered by the Govern-  
12 ment of Canada for the purposes of the  
13 Dominion.'

14 14. When the Provinces of Saskatchewan and  
15 Alberta were created in 1905 the Dominion Government  
16 extended what might be described as Manitoba status  
17 to them, retaining their crown lands for national  
18 purposes.

19 15. The retention of the public lands in  
20 Manitoba and the Northwest Territories gave the Dominion  
21 Government a free hand in their disposal. It was taken  
22 for granted that the lands would build the Pacific  
23 railway and that they would accordingly have to be  
24 utilized at least partially toward this end. American  
25 example suggested a direct land grant to the railway  
26 company as one appropriate usage; and land sales ought  
27 to yield revenues for cash subsidies. However,  
28 American example dating from 1862 had also set the  
29 pattern for the free-homestead system. Keen inter-  
30 national competition for immigrants in the surplus-







1  
2 population areas of Western Europe and the British Isles  
3 rendered it essential that Canada match the apparent  
4 generosity of the United States by offering free land  
5 to prospective settlers. Canada introduced the  
6 homestead principle early in the eighteen-seventies  
7 but its marginal position in the land policy of the  
8 Dominion Government is made clear in the fact that  
9 regulations at first excluded homestead grants from  
10 the "railway belt", in which all land was to be avail-  
11 able for granting to the railway or for sale by the  
12 Government. (Ibid., pages 394 et seq.) The rail-  
13 way belt was originally defined in 1872 as a strip of  
14 land extending 20 miles on either side of the Pacific  
15 railway; in 1879 this was narrowed to 5 miles on  
16 either side.

17 16. Homestead features gradually became more  
18 prominent in Dominion land policy. This was parti-  
19 cularly noticeable in 1882 when it was provided that  
20 even-numbered sections in as well as out of the  
21 railway belt were to be available for homestead  
22 entry. The principle and practice of making free-  
23 grants of land for settlement purposes did not,  
24 however, find complete acceptance in Canada until  
25 after the turn of the century. The railway land-  
26 grant system had been brought to an end in 1894  
27 but it was not until twelve or fourteen years later  
28 that Canadian railways had, under pressure, finally  
29 been induced to select all of the acreage which they  
30 had earned by the construction of track mileage. In





1  
2 general terms the areas left unalienated by 1908 were  
3 those in which the railways had declined to locate land  
4 because of its inferior climatic, topographic or  
5 textural characteristics. In these residual areas,  
6 where the land was so clearly valueless, there was no  
7 apparent reason why the free-homestead method of aliena-  
8 tion should not be fully applied.

9 17. Although many of the features of national  
10 land policy in Canada, including the railway land-  
11 grant system, were derived from American experience,  
12 one feature was not. That was the condition intro-  
13 duced into the many and otherwise varied agreements  
14 for granting land to Canadian railways permitting  
15 them to "hand pick" the acreage to which their con-  
16 struction entitled them and to reject any which they  
17 regarded as below a specified quality. This meant,  
18 of course, that a railway company could decline to  
19 accept any or all land in any designated railway  
20 belt; and provision had consequently to be made for  
21 "indemnity selection".

22 18. The quality proviso appeared in Canadian  
23 railway land-grant agreements as early as 1872 when  
24 the charter granted to Sir Hugh Allan's Canadian  
25 Pacific Railway Company extended the offer of a cash  
26 subsidy and a land grant to assist in the construction  
27 of the Pacific railway. The charter stated that  
28 "the Company shall not be bound to receive any lands  
29 which are not of the fair average quality of the  
30 land in the sections of the country best adapted for







1  
2 settlement . . ." (For the terms of the Charter  
3 see Canada, Sessional Papers, 1873, No. 13, pages 15-28;  
4 for land-grant provisions see ibid., pages 19-20.)  
5 This charter was, of course, never acted on for the  
6 Company failed to secure support and did not survive  
7 the "Pacific Scandal." The principle of a quality  
8 guarantee for railway land grants nevertheless  
9 persisted.

10

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19. The basic subsidy awarded to the Canadian Pacific Railway Company incorporated in 1881 was \$25,000,000 and 25,000,000 acres of land. The utmost care was taken in the terms of the contract (For the terms of the contract with the Canadian Pacific Railway syndicate see Statutes of Canada, 44 Vic. c.1, assented to February 15, 1881, An Act respecting the Canadian Pacific Railway. This statute ratified the contract between the Dominion Government and the group which, under the contract, secured incorporation as the Canadian Pacific Railway Company. The contract constitutes a schedule appended to the Act while the terms of the charter of incorporation form, in turn, Schedule A appended to the contract.) to assure that the land should be of good quality. The grant was to be selected from the uneven numbered sections in a railway belt twenty-four miles deep on either side of the railway line from Winnipeg to Jasper House. But in this belt, the contract provided, "should any of such sections consist in a material degree of land not fairly fit for settlement, the Company shall not be obliged to receive them as part of such grant;..." This provision might, however, create a deficiency in the grant and this the contract dealt with in the following words (section 11):

"...the deficiency thereby caused and any further deficiency which may arise from the insufficient quantity of land along the said portion







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Britnell, dir.  
(Carter)

15221

1  
2 of railway, to complete the said 25,000,000  
3 acres, or from the prevalence of lakes  
4 and water stretches in the sections granted  
5 (which lakes and water stretches shall not  
6 be computed in the acreage of such sections),  
7 shall be made up from other portions in the  
8 tract known as the fertile belt, that is  
9 to say, the land lying between parallels 49  
10 and 57 degress of north latitude, or  
11 elsewhere at the option of the Company, by  
12 the grant therein of similar alternate  
13 sections extending back 24 miles deep on  
14 each side of any branch line or lines of  
15 railway to be located by the Company.....;  
16 or of any common front line or lines agreed  
17 upon between the Government and the  
18 Company, - the conditions hereinbefore  
19 stated as to lands not fairly fit for  
20 settlement to be applicable to such  
21 additional grants. And the Company may with  
22 the consent of the Government, select in  
23 the Northwest Territories any tract or  
24 tracts of land not taken up as a means of  
25 supplying or partially supplying such  
26 deficiency. But such grants shall be  
27 made only from lands remaining vested in  
28 the Government."

29 20. Section 10 of the contract granted the  
30 additional lands required for the road-bed of the main





1  
2 line and for stations, station grounds, workshops, docks  
3 and water frontage, buildings, yards "and other  
4 appurtenances required for the convenient and effectual  
5 construction and working of the railway, in so far as  
6 such land shall be vested in the Government." Section  
7 14 provided lands for branch lines on a similar basis.

8 21. The generous measure of tax exemption  
9 accorded the Canadian Pacific Railway Company applied  
10 with unequal incidence in different parts of Canada.  
11 It remains to the present time as a symbol of inferior  
12 status imposed upon the prairie provinces in the national  
13 interest. Section 16 of the contract provided that:

14 "The Canadian Pacific Railway, and  
15 all stations and station grounds, workshops,  
16 buildings, yards and other property,  
17 rolling stock and appurtenances required and  
18 used for the construction and working thereof,  
19 and the capital stock of the Company, shall  
20 be for ever free from taxation by the  
21 Dominion, or by any province hereafter to  
22 be established, or by any municipal  
23 corporation therein; and the lands of  
24 the Company, in the Northwest Territories,  
25 until they are either sold or occupied,  
26 shall also be free from such taxation  
27 for 20 years after the grant thereof  
28 from the Crows."

29 THE CHAIRMAN: That is the main line.

30 THE WITNESS: That was the main line, yes,







1 the 490 odd miles.

2  
3 22. Although the original intention was that  
4 land grants for the Canadian Pacific Railway should be  
5 made (as in the United States) in a continuous "belt"  
6 along and throughout the length of the railway line,  
7 this intention was soon abandoned. It was obvious  
8 that the railway, no matter what specific route was  
9 finally selected, would not pass through any appreciable  
10 acreage of land "fairly fit for settlement" in either  
11 Ontario or British Columbia. The principle of  
12 indemnity selection accordingly excused the Canadian  
13 Pacific Railway Company from making selections in  
14 these provinces. Professor Hedges, who has studied  
15 the railway land-subsidy policy of the Dominion  
16 Government in some detail, comments on the implications  
17 of the provisions attached to the Canadian Pacific  
18 grant: (Hedges, J.B., The Federal Railway Land Subsidy  
19 Policy of Canada (Cambridge, Harvard University Press,  
20 1934), pp. 31-2).

21 "Another significant provision of the  
22 Syndicate contract created an additional  
23 problem in locating the 25,000,000 acres  
24 to which the Company was entitled. Lands  
25 were to be granted to the Company only in  
26 the region popularly known as the 'fertile  
27 belt'. As the name implies, this section  
28 of Canada, extending from Winnipeg to  
29 Jasper House, was at the time regarded as  
30 the most attractive portion of the west.





1  
2 For the 900 miles of railway to be built  
3 through this part of the prairie, the  
4 Company was to receive lands in alternate  
5 sections within twenty-four miles on each  
6 side of the railway, creating what was  
7 subsequently known as the forty-eight mile,  
8 or main line, belt. But over the lands of  
9 Ontario and British Columbia, the Dominion  
10 Government had no control. While it is  
11 true, that the latter province had in 1871  
12 transferred to the Dominion a twenty-mile  
13 belt on either side of a Pacific railway,  
14 the Canadian Pacific Syndicate had refused to  
15 accept this land as part of its subsidy.  
16 For constructing the railway through the  
17 thousand miles of Laurentian rocks and  
18 muskeg wastes, and across the rugged  
19 mountains of these two provinces, therefore,  
20 the Canadian Pacific must also receive  
21 its reward in the 'fertile belt'. This  
22 provision worked no hardship on the Company,  
23 as it was in reality an added guarantee  
24 of a good selection of land, but it did  
25 complicate the problem of locating a large  
26 grant already conditioned by the 'fit for  
27 settlement' requirement."

28 23. Professor Hedges also shows clearly the  
29 contrast between the American and Canadian railway  
30 land-grant systems: (Ibid., pp. 32-3).







"Any railway in the United States would doubtless have welcomed a gift of the fertile lands of Illinois and Iowa in return for pushing a line across the Rockies, but Congressional restrictions allowed no such privileges. Numerous as were the legal loop-holes through which the wily American railway promoter might make his way to greater profits, he found that in this one respect the law could not be easily circumvented. The subsidies in the United States, providing as they did for stipulated amounts of land per mile along the entire length of the line, carried no guarantee as to the quality of the land. All American land grant roads received certain undesirable lands, while the transcontinental lines found themselves in possession of vast areas, either totally worthless or valuable only for grazing purposes. The Canadian Pacific, in attempting to avoid the acquisition of lands of such low quality, thrust upon the Dominion Government a heavy burden of responsibility. It was soon to become evident that the administration of the Canadian Pacific grant was not the simple matter of conceding automatically a certain number of acres for each completed mile of





1  
2 rails, as had been true in the United  
3 States, but the more difficult one of  
4 finding 25,000,000 acres of land, part of  
5 it along the railway, part of it elsewhere  
6 in the 'fertile belt,' but all of it  
7 measuring up to the Company's standard of  
8 land 'fairly fit for settlement.'

9 24. The net result of the contract provisions  
10 was that the entire acreage granted for the construction  
11 of the Pacific railway (with the exception of some  
12 1,300 acres in British Columbia) was located in the  
13 Province of Manitoba and in parts of the Northwest  
14 Territories now comprised within the provinces of  
15 Saskatchewan and Alberta. As Professor Martin says,  
16 "The temptation to spare provincial lands and to  
17 exploit 'Dominion lands' proved irresistible; with  
18 costly results that have fallen in glaring disproportion  
19 upon the prairie provinces." (Morton and Martin,  
20 History of Prairie Settlement and "Dominion Lands"  
21 Policy, p. 269.). In 1883, Hon. Sir Charles Tupper,  
22 then Minister of Railways said frankly: )As cited Ibid,  
23 p. 470).

24 "The interests of this country demand  
25 that the Canadian Pacific Railway should  
26 be made a success.....Are the interests  
27 of Manitoba and the Northwest to be  
28 sacrificed to the interests of Canada?  
29 I say, if it is necessary, yes."  
30







1  
2 25. The Canadian Pacific Railway Company  
3 exercised its privileges of selection with the utmost  
4 care. Professor Hedges described the approach of the  
5 Company to the acquisition of lands as being marked  
6 by "vigilance", "alterness", and "persistent and  
7 vigorous attention", and as the counterpart of "an  
8 apparently aggressive policy for the protection of its  
9 (the Company's) interests" (Hedges, J.B. op. cit., pp.  
10 34-5) "...in actual practice the Company," says  
11 Professor Hedges, "in searching for lands 'fairly fit  
12 for settlement,' went far afield and eventually found  
13 itself with millions of acres far removed from either  
14 main or branch lines, with grants to other companies  
15 frequently intervening between these reserves and the  
16 Company right-of-way." (Ibid., p. 34).

17 26. Something of the deliberateness with which  
18 the Canadian Pacific Railway Company selected its lands  
19 is indicated by the fact that "not until twenty-two  
20 years after the contract became law, and seventeen  
21 years after the completion of the railway, was the  
22 last acre finally set aside for the Company." (Ibid.,  
23 p. 35). Maps showing the areas in which selections  
24 were made indicate a clear preference for the park  
25 belt and a careful avoidance of the semi-arid, short-  
26 grass plains of the third prairie steppe, from Moose  
27 Jaw to the foothills of the Rockies. The main-line  
28 belt yielded approximately 5 1/4 million acres and  
29 four wide-ranging reserves - the First and Second  
30 Northern Reserves, the Southern Reserve and the Lake





1  
2 Dauphin Lands - provided an additional 9,650,000  
3 acres (after the Company had relinquished 6,793,000  
4 acres from the First Northern Reserve in settlement of  
5 the balance of a debt owing to the Dominion Government  
6 amount to \$9,880,912 with interest). The balance of  
7 the original grant of 25,000,000 acres amounting to  
8 approximately 3,300,000 acres was closed out in 1903  
9 by the acceptance of a block of approximately 3,000,000  
10 acres for an irrigation development in southern  
11 Alberta and by comparatively minor selections elsewhere.  
12 (Ibid., p. 65)

13 27. In total then, the grants were derived  
14 exclusively from the prairie provinces and without  
15 regard for proportionality among them. Professor  
16 Martin summarizes the provincial contributions to  
17 the main-line grant of the Canadian Pacific Railway  
18 Company as follows: (Morton and Martin, History of  
19 Prairie settlement and "Dominion Lands" Policy, p. 270.)

20 "While the main line mileage,  
21 therefore, has been over 652 miles in  
22 Ontario, nearly 208 in Manitoba, a little  
23 over 419 miles in Saskatchewan, nearly  
24 336 in Albert, and 268 in British Columbia,  
25 the land grant thus 'earned' by the railway  
26 has been selected, 2,183,084 acres in  
27 Manitoba, 6,216,784 acres within the  
28 present boundaries of Saskatchewan, (over  
29 6,128,000 acres before the creation of  
30 the province in 1905), and 9,805,446 acres







1 within the present boundaries of Alberta  
2 (over 8,217,400 acres before the creation  
3 of the province). The balance of the  
4 'main line' grant - some 6,793,014 acres -  
5 was surrendered in 1886 to retire  
6 \$9,880,912 (with interest) of the government  
7 loan for the construction of the line."

8 28. The Canadian Pacific Railway Company was  
9 not the only group to be given lands by way of material  
10 assistance toward railway construction. Between the  
11 parliamentary approval of the charter of Canadian  
12 Pacific in 1881 and the termination of the railway land-  
13 grant system in 1894 a number of "colonization  
14 railways" were incorporated and were given grants of  
15 land in Manitoba and the Northwest Territories. The  
16 grants embodied the "fairly fit for settlement" proviso  
17 and its counterpart, indemnity selection. Professor  
18 Martin summarizes the distribution of Canadian railway  
19 land grants, including that of the Canadian Pacific  
20 Railway Company: (Ibid., pp. 270-1.)

21 "not only was the acreage 'earned'  
22 on mileage in Ontario and British Columbia  
23 selected, as we have seen, in the prairie  
24 provinces, but the tendency to follow the  
25 line of least resistance, to select grants  
26 in the territories where no provincial  
27 criticism was as yet to be encountered,  
28 had results which have accumulated  
29 disproportionately in the two provinces most  
30





recently organized. Out of 3,630 miles of railways subsidized by more than 31,780,000 acres of western lands, less than 886 miles, or about 24 per cent, were located in Saskatchewan, while more than 15,193,000 acres or nearly half the land grants were selected from that province. No fewer than six land grant railways with no mileage whatever in Saskatchewan selected from that province over 1,330,000 acres of their land grants. Alberta, which secured 805 miles or over 22 per cent of the land grant railways was found to have contributed 13,035,572 acres or over 41 per cent of the land grants."

29. The remnants of the crown lands in the prairie provinces were transferred to the respective provinces in 1930. Negotiations looking to the solution of the "natural resources question" were long and controversial and the eventual settlement rested on "horse-back" estimates and complicated compromise. These points are without significance in the present contest as far as the Province of Saskatchewan is concerned except for one important detail: the claims of Saskatchewan and Alberta for compensation for lands alienated before provincial organization in 1905 were rejected by the Supreme Court of Canada and the Judicial Committee of the Privy Council. The great bulk of all railway land grants had been selected







1 before 1905. Professor Martin's figures (quoted above)  
2 indicate that more than 98 per cent of the land  
3 secured by the Canadian Pacific Railway Company in  
4 what is now Saskatchewan territory had been selected  
5 before the province was formed. The alienation of  
6 such lands by the Dominion Government before  
7 September 1, 1905 formed no part of the calculation of  
8 compensation due to the province for natural resources.

9  
10 National Policies and the Direction of Canadian trade.

11 30. It is often said that Canada's east-west  
12 rail and communication systems, and the resultant east-  
13 west commercial system, are unnatural and in defiance  
14 of geography. It is frequently stated, and much  
15 more frequently implied, that, were it not for national  
16 policies, the lines of trade, and the railways, would  
17 run north and south between contiguous Canadian and  
18 American regions.

19 31. Such extreme statements are, of course,  
20 incorrect. Geographic areas, like individuals, find  
21 trade between each other advantageous in proportion  
22 to their dissimilarities rather than their similarities.  
23 Canadian and American regions which are contiguous on  
24 a north-south axis and which are separated by an  
25 imaginary line have little to distinguish them from each  
26 other and little to prompt them to trade. Maritime  
27 Canadian regions lie to the north of American maritime  
28 regions; the Canadian industrial region, to the north  
29 of the American; and the Canadian central plain is but  
30 the northern extension of the continental central plain.





1  
2 32. Dissimilarities which induce trade in  
3 North America are, therefore, much more readily  
4 observed between areas east and west than between  
5 areas north and south. To illustrate with particular  
6 reference to Saskatchewan, even without a system of  
7 tariff protection and without a great deal of  
8 artificially located railway mileage, the trade of the  
9 province would still be primarily with eastern Canada  
10 and eastern and middle western areas of the United  
11 States, with the western coastal regions of Canada  
12 and the United States, and with Europe and Asia.

13 33. Nevertheless, the deliberate and persistent  
14 purpose embodied in national policies was the  
15 distortion of the normal channels of Canadian-American  
16 trade. This distortion was held to be necessary in  
17 the national interest. As such, it is not the purpose  
18 of this analysis to question it. It is necessary,  
19 however, to call attention to the resultant burden  
20 upon the Canadian economy and upon particular segments  
21 of that economy. The burden can be traced in terms  
22 of artificially located railway mileage and in the  
23 prevention of Canadian access to the most favourable  
24 of industrial markets.

25 34. The construction of the Pacific railway  
26 to the north of the Great Lakes was dictated by national  
27 policies and can be justified as in the national  
28 interest. The costliness of the construction through  
29 those regions accounts to a considerable extent  
30 for the fixed charges of Canadian railways and thus







1 enters into railway rate calculations for the  
2 Canadian economy. The hundreds of miles of Shield  
3 bridged by the Pacific railway remain relatively  
4 unremunerative in terms of traffic and thus not only  
5 the fixed charges but also part of the operating  
6 costs of the region fall upon traffic which originates  
7 or is destined elsewhere.

8  
9 35. The construction of additional Canadian  
10 transcontinental lines after 1900 was not among the  
11 initial or indispensable national policies. Indeed,  
12 few policies have more generally been judged in  
13 retrospect to have been ill-advised. Nevertheless,  
14 the policy which after 1903 added two additional lines  
15 through the Canadian Shield as well as to the Pacific  
16 coast was a policy of the national government. If  
17 traffic over the Shield and originating in the Shield  
18 was inadequate for one railway, it could scarcely be  
19 adequate for three, even with the traffic from new  
20 areas which the added railways opened up.

21 36. Control over the timing and location of  
22 Canadian railway construction has been among the most  
23 fundamental tasks of policy formation undertaken  
24 by the Dominion Government. The main lines of the  
25 Canadian railway system were located in the national  
26 interest and with little regard to questions of  
27 economical construction or operation. The burdens  
28 of transportation facilities have thereby been  
29 immensely enhanced in the interest of economic and  
30 political unity. It is of particular importance





1  
2 that these increased burdens should not bear  
3 disproportionately upon the various segments of the  
4 Canadian economy.

5 37. The burdens of the Canadian transportation  
6 structure, which have been enhanced by national  
7 policies, are not apportioned equally among Canadian  
8 geographic regions. The intensiveness of water and  
9 truck competition accounts for lower rail rates in  
10 the central provinces and the competition of ocean  
11 carriers effectively controls those to the Pacific  
12 coast. In the interest of maintaining railway  
13 earnings, the rates to and in the prairie provinces  
14 are kept unduly high and are not restrained by any  
15 adequate measure of truck or water competition.

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The National Policy of Protective Tariffs.

38. Policies of the Dominion Government concerning railways have always been inseparable from those embodying the principle of commercial protection. It is clear that Canadian rail lines between central Canada, on the one hand, and the Maritimes and the west, on the other, provided only the opportunity for the movement of goods over these routes. The railways did not in themselves make it certain that manufacturing facilities should develop in central Canada to supply the outlying regions. Without protective measures of some sort, Canadian manufacturers would secure and hold the markets of the outlying regions only if they could deliver goods in competition with the highly efficient mass-production industries of the eastern and middle-western United States. This the industrialists of central Canada alleged they could not do. Whether they could have done so or not has never been put to the test. A policy of tariff protection was instituted in Canada before there were any significant outlying markets to supply, and, indeed, before there was any great body of industry to supply them. This policy has been maintained without serious modification to the present day.

39. The protective policy of the Dominion Government was enacted in 1879. The tariff policy of the province of Canada before Confederation, however, clearly foreshadowed the protective principle





1  
2 In the Cayley-Galt tariffs of 1858 and 1859 the import  
3 rates of duty were considerably increased. In the  
4 budget of 1859 the customs rate on the general list  
5 of items was placed at 20 per cent ad valorem. While  
6 an increase in rates was clearly compatible with the  
7 letter of the reciprocity agreement then in effect  
8 with the United States, it was regarded in American  
9 circles as a breach of the spirit of that agreement.  
10 This view had lasting adverse significance for  
11 Canadian-American tariff negotiations.

12 40. Galt justified the tariff increases of  
13 1859 on the basis of the costs and benefits of  
14 transportation improvements undertaken by the  
15 government. His reasoning provides a clear and early  
16 statement of the principle of the interdependence of  
17 tariffs and transportation facilities in Canada.  
18 The construction of canals and railways in new countries  
19 such as Canada, he argued, was extremely costly to  
20 government but was, at the same time, of great benefit  
21 to producers and consumers. Such improvements  
22 raised the net returns of export producers and lowered  
23 the cost of imports to consumers. The imposition of  
24 tariffs, therefore, was but a reasonable method by  
25 means of which the government might recoup a part of  
26 its developmental outlay. At a later date, Galt  
27 described the policy represented by the tariff  
28 changes of 1859 as one of "incidental protection",  
29 a policy of tariffs primarily for revenue but "affording  
30 at the same time an incidental amount of protection" to







1 domestic manufacturers.

2  
3 41. The developmental burdens which had been  
4 assumed by the provincial governments before  
5 Confederation were small in comparison with those which  
6 were to be accumulated over the decades by the  
7 federal government. The federal government constructed  
8 substantial sections of the Canadian railway network,  
9 such as the Intercolonial and the National Trans-  
10 continental, at its own expense. It subsidized the  
11 remainder of the railway mileage in various ways,  
12 either by land grants, cash subsidies, tax exemption  
13 or the guarantee of railway securities. Governmental  
14 assistance to Canadian railway construction is so  
15 all-pervasive that no substantial part of the Canadian  
16 railway structure can properly be regarded as a free-  
17 enterprise response to the prospects offered by a  
18 freely-operating price economy.

19 42. If the provincial tariff of 1859 was  
20 designed primarily for revenue purposes, with  
21 incidental protection, the Dominion tariffs enacted  
22 in 1879 and subsequent years were designed primarily  
23 for protection, with incidental revenue. This  
24 change of emphasis was essential to the national  
25 purpose. Construction of a Pacific railway would  
26 make possible the economic development of the west.  
27 Protective tariffs would foster interprovincial  
28 trade in place of international trade. Canadian  
29 manufacturers would be assured as fully as possible  
30 of exclusive rights to the total Canadian market.





1  
2 Together, railways and tariffs would integrate the  
3 expanding area of economic activity. Tariffs would  
4 ease the burden of transportation improvements by  
5 providing railway traffic and a more diversified  
6 economy as a source of tax revenues.

7 43. Canadian political leaders widely  
8 separated in time and in party affiliations have  
9 expressed the philosophy of a closely integrated  
10 economy to be created by national policies. William  
11 McGiverin, member for Lincoln, stated the objective  
12 clearly during the Confederation debates in 1865. He  
13 said in part:

14 "What then may we not expect our  
15 great northwest to become? If we had  
16 it opened up, Canada would be the  
17 carriers of its produce, as the middle  
18 States are the carriers of the western  
19 States, and the manufacturers of its  
20 goods as the eastern States are now the  
21 manufacturers of the goods consumed by  
22 the west."

23 (Parliamentary Debates on the subject of Confederation  
24 of the British North American Provinces, 3rd session,  
25 8th Provincial Parliament of Canada (Quebec, 1865),  
26 p. 470.) This statement does not specify railways  
27 or tariffs, or indeed any particular instrument  
28 for the development of the west, but it indicates  
29 with the greatest clarity the colonial role intended  
30 for the western territories at the time of







1  
2 Confederation.

3 44. Sir John A. Macdonald's interpretation  
4 of what he called a "National Policy" of protective  
5 tariffs was perhaps most fully outlined in the Session  
6 of 1878 while the Conservative party was still in  
7 Opposition. On March 7 of that year, as the House  
8 moved to go into a committee on the budget, Macdonald  
9 introduced the resolution that,

10 "...this House is of the opinion  
11 that the welfare of Canada requires the  
12 adoption of a National Policy, which, by  
13 a judicious readjustment of the Tariff,  
14 will benefit and foster the agricultural,  
15 the mining, the manufacturing and other  
16 interests of the Dominion; ..."

17 (Canada, House of Commons, Debates, 1878, p. 854).

18 His arguments in support of the resolution  
19 included the development of resources, the maintenance  
20 of employment opportunities, the prevention of Canada  
21 continuing as a "slaughter market" for American  
22 merchandise and, finally, the stimulation of inter-  
23 provincial trade. He said: (Ibid., p. 861).

24 "The resolution speaks not only  
25 of a reasonable readjustment of the  
26 tariff but of the encouragement and  
27 development of interprovincial trade.  
28 That is one of the great objects we  
29 should seek to attain. Formerly, we  
30 were a number of provinces which had very





1 little trade with each other, and very  
2 little connection.....I believe that,  
3 by a fair readjustment of the tariff, we  
4 can increase the various industries  
5 which we can interchange one with another,  
6 and make this union a union in interest,  
7 a union in trade, and a union in feeling.  
8 We shall then grow up rapidly a good,  
9 steady and mature trade between the  
10 provinces, rendering us independent of  
11 foreign trade, and not, as New Brunswick  
12 and Nova Scotia formerly did, look to the  
13 United States or to England for trade,  
14 but look to Ontario and Quebec, - sending  
15 their products west, and receiving the  
16 products of Quebec and Ontario in exchange.  
17 Thus the great policy, the National Policy,  
18 which we on this side are advocating,  
19 would be attained."

20  
21 I might add, Mr. Chairman, that Sir John  
22 went on to criticise what he called the jug-handle  
23 policy of the previous Liberal administration, and to  
24 say: "If we are to have rye whisky in any form it  
25 should come from our own corn."

26 45. Macdonald made the introduction of  
27 protective tariffs a major issue in the election  
28 campaign of 1878. Asked at Hamilton what protection  
29 he proposed to give he said, "I cannot tell what  
30 protection you require. But let each manufacturer







1  
2 tell us what he wants, and we will try to give him  
3 what he needs." (As cited in Edward Porritt, Sixty  
4 Years of Protection in Canada, 1846-1912 (Winnipeg,  
5 1913), p. 260). The Conservative Mail of Toronto  
6 urged the electors in 1878 to get rid of the  
7 "starvationists", the Liberals, "and bring back a  
8 rich prosperity to Toronto and the Dominion at large."  
9 (The Mail, Toronto, September 19, 1878, as cited  
10 ibid., p. 261).

11 In fact, Mr. Chairman, the statement was  
12 not quite as tempered as "to get rid". The actual  
13 phrase was "stamp out" the starvationists.

14 46. In 1879, Sir Leonard Tilley as Minister  
15 of Finance introduced the tariff rates of the National  
16 Policy in the first budget of the newly elected  
17 parliament. In summing up the immense detail of the  
18 tariff changes he said: (Canada, House of Commons,  
19 Debates, 1879, p. 429).

20 "...it does appear to me, Sir,  
21 that.....the time has arrived when we  
22 are to decide whether we will be simply  
23 hewers of wood and drawers of water;  
24 whether we will be simply agriculturists  
25 raising wheat, and lumbermen producing  
26 more lumber than we can use, or Great  
27 Britain and the United States will take  
28 from us at remunerative prices; whether  
29 we will confine our attention to the  
30 fisheries and certain other small





1 industries,.....or whether we will  
2 inaugurate a policy that will, by  
3 its provisions, say to the industries  
4 of the country, we will give you  
5 sufficient protection; we will give you  
6 a market for what you can produce; we  
7 will say that while our neighbours build  
8 up a Chinese wall, we will impose a  
9 reasonable duty on their products coming  
10 into this country; at all events, we  
11 will maintain for our agricultural and  
12 other productions, largely, the market  
13 of our own Dominion."  
14

15 47. For the first two decades under the  
16 national policy of protection the great bulk of  
17 Canadian activity was confined to the central and  
18 Maritime provinces. In framing the protective  
19 schedules of 1879 the goal has been, in Tilley's words,  
20 to find "the best means of reducing the volume of our  
21 imports from all parts of the world." Subsequent  
22 modiciations of the original rates were made in  
23 furtherance of this aim. By the turn of the century  
24 the scale of economic activity and the expansion  
25 of market prospects in the prairie provinces were  
26 of such magnitude that the reduction of imports  
27 into that area took on special significance. Toward  
28 this end the tariff structure required only to be  
29 maintained. This the Liberals under Sir Wilfred  
30 Laurier found it expedient to do despite campaign







pledges made during the eighteen-nineties.

48. Sir Wilfred himself has left us the clearest statement on record of the place occupied by the prairie provinces within the national framework of protection. Speaking to the Canadian Manufacturers Association in Quebec City in 1905 he said: (As quoted in J. Castell Hopkins, Canadian Annual Review of Public Affairs, 1905 (Toronto, 1906), pp. 149-50.)

"They (the settlers in western Canada) will require clothes, they will require furniture, they will require implements, they will require shoes - and I hope you can furnish them to them in Quebec - they will require everything that man has to be supplied with. It is your ambition, it is my ambition also, that this scientific tariff of ours will make it possible that every shoe that has to be worn in those prairies shall be a Canadian shoe; that every yard of cloth that can be marketed there shall be a yard of cloth produced in Canada; and so on and so on....."

It might be an indication of the continuity of Canadian policy regardless of party.





1  
2 49. It is not possible to measure the overall  
3 effect of tariff policy upon the growth and integration  
4 of the Canadian economy. Nor is that relevant to the  
5 present purposes. The Commission is concerned to  
6 discover if there are regional disabilities or in-  
7 equities associated with transportation services.  
8 The tariff is inseparably tied up with transportation  
9 policy in the development of the Dominion and the  
10 significance of the tariff varies as between regions  
11 in Canada. No attempt will be made to measure this  
12 variation but its existence and nature can be clearly  
13 established.

14 50. In explaining the regional incidence of  
15 national tariffs it is important to recall, first, that  
16 they were introduced before there was any considerable  
17 economic development in the prairie region and, second,  
18 that they remained relatively unchanged until as late  
19 as 1930. The effect of the imposition of a new  
20 duty or an increase in an old one is different from the  
21 effect of the continuance of an old one. An economy  
22 which develops within a tariff framework already  
23 established will differ from one which would develop  
24 under circumstances which are similar except for the  
25 absence of the tariff. But the development  
26 will, from its beginning, take cognizance of the  
27 effects of the tariff as nearly as such effects can  
28 be foreseen. Types and ranges of activity ruled  
29 out by the tariff will never start, except in error.  
30 If the same tariff were to be imposed on an economy







1  
2 already developed the resultant readjustment and alter-  
3 ation of equities might well be drastic in degree.

4 51. The tariff schedules of Macdonald's National  
5 Policy, first enacted in 1879, were considerably in-  
6 creased over the period of the next nine years and  
7 were applied to a wider range of merchandise. From  
8 the end of that formative period until 1930 the tariff  
9 remained stable with only minor modifications associated  
10 chiefly with the introduction of British preference and  
11 with reductions in the rates on farm machinery and  
12 automobiles.

13 52. A short-lived intensification of protection  
14 began with the adoption of the Dunning budget in 1930.  
15 It became more prominent as the essential counterpart  
16 of Right Honourable R. B. Bennett's inspiration that  
17 jobs could be created in Canada by excluding imports  
18 and by "blasting our way" into the markets of the  
19 world. The retreat from the economic futility of the  
20 tariff summit was accomplished soon after, however, by  
21 means of the Canada-United States Trade Agreements  
22 of 1935 and 1938 and the Canada-United Kingdom Agreement  
23 of 1937. On the outbreak of World War II, therefore,  
24 the level of Canadian trade protection was back roughly  
25 to that of the late nineteen-twenties. The removal  
26 of import duties on agricultural implements in 1944  
27 was the only tariff modification of any significance  
28 during the war years. Multilateral negotiations in which  
29 Canada participated took place in Geneva in 1947 and  
30 led to the General Agreement on Tariffs and Trade





1  
2 (more commonly known as GATT). This was accompanied  
3 by contractual reductions on a variety of Canadian im-  
4 ports and further reductions emerged from negotiations  
5 at Torquay in 1951. Although detailed assessment  
6 of the overall result of tariff changes since World  
7 War II is impossible, there is a good deal of evidence  
8 to suggest that the movement toward a relaxation of  
9 trade barriers on a wide front has made little progress  
10 since the early nineteen-fifties, that in Canada as in  
11 other countries the reductions in rates were more  
12 impressive in number than in practical effect and that,  
13 in general, the results of the negotiations at Geneva  
14 and Torquay were absorbed in averting increases rather  
15 than in achieving significant reductions in the level  
16 of trade barriers. (See, for example, the discussion  
17 in John H. Young, Canadian Commercial Policy, Royal  
18 Commission on Canada's Economic Prospects (Ottawa,  
19 1957), chapter 5 and passim.)

20 53. The prairie economy, therefore, grew up and  
21 has continued to exist within a pre-established tariff  
22 framework. This framework shaped, limited and cur-  
23 tailed development within the prairie provinces. With  
24 the possible exception of the Red River Valley, however,  
25 where settlement was well established before 1880,  
26 it cannot be said that the introduction of protective  
27 tariffs destroyed any equities already created by  
28 economic activity in the prairie region. Neverthe-  
29 less a differential regional incidence of the Canadian  
30 tariff can readily be demonstrated.







1  
2 54. Duties on imports into Canada have curtailed  
3 a wide range of industrial importations, particularly  
4 from the United States, and have replaced them with  
5 higher priced Canadian products. To the extent that  
6 this has happened -- that is, to the extent that the  
7 national policy of protection has been successful --  
8 Canadian industry has expanded to a greater extent than  
9 it otherwise would have. At the same time, the costs  
10 of production and of living have been enhanced to a  
11 degree represented by a variable proportion of the  
12 amount of tariff protection. Since in the geographic  
13 nature of things the greatest industrial opportunities  
14 are concentrated in the central provinces, the expansion  
15 in industrial activity attributable to tariff pro-  
16 tection has taken place in the central provinces.  
17 Under conditions which have prevailed in the past the  
18 prairie provinces have had few industrial possibilities  
19 but great capacity for export production. The tariff,  
20 then, has provided no scope for western industrial expan-  
21 sion and has had the unmitigated effect of curtailing  
22 the expansion of export activity because of the pro-  
23 nounced increase in costs of production and of living  
24 to which it gives rise.

25 55. The differential regional effects of pro-  
26 tective tariffs in Canada are not to be sought in  
27 long-run inequalities in the returns to labour or  
28 capital, or in profit margins. To the extent that  
29 Canadian industrialists require protection against  
30 foreign competition, that protection is eaten up in







1  
2 inefficiency and high costs rather than in high profits.  
3 If the full degree of protection which exists is not  
4 needed, domestic producers will nevertheless secure  
5 abnormal profits only if they exploit their protected  
6 position with the aid of effective monopoly.

7 56. The differential regional effects of pro-  
8 tective tariffs are to be found in property values.  
9 By fostering industry, Canadian tariffs have increased  
10 the value of properties best suited for industrial  
11 plants and for the housing of industrial labourers.  
12 By raising production and living costs in the export  
13 areas, Canadian tariffs have restricted the expansion  
14 of these areas and have to do that extent limited the  
15 relative increase of their property values. This is  
16 of particular significance in the prairie provinces where  
17 production for export is of such overwhelming impor-  
18 tance and where property equities are so widely  
19 diffused among the resident population.

20 57. It is clear, therefore, that the tariff has  
21 operated to provide a financial subsidy to the popula-  
22 tion of the areas of Canada in which it has stimulated  
23 industrial expansion, notably in the central provinces.  
24 This fact is in no way controverted by the likelihood  
25 that the subsidy has been unequally apportioned among  
26 the various segments of the population within those  
27 provinces. Wage earners as such have suffered rather  
28 than gained because of the tariff. But property owners  
29 have achieved permanent and substantial gains. Taxing  
30 bodies at both the local and provincial levels in





1  
2 the industrial region have secured an enlargement of  
3 their property and business assessment bases as a  
4 direct result of the tariff.

5 58. It is not argued that the industrialization  
6 of Central Canada is solely due to the protective  
7 tariff. The Central Provinces have great natural  
8 advantages over other parts of the Dominion for indus-  
9 trial activities. For certain types of industrial  
10 development these provinces possess exclusive possi-  
11 bilities. Nevertheless, regional specialization rests  
12 on acquired as well as natural advantages. Of two  
13 regions, the one with a prior start in industrial  
14 development may, because of that fact alone, have a  
15 permanent superiority over the other. For decades  
16 after the national policy of protection began to  
17 foster industrial development in the central provinces  
18 the prairie provinces were without industry to foster.  
19 The relative lack of industrialization in the west  
20 is due in part to the impossibility of achieving com-  
21 petitive competence as against eastern industries long  
22 since grounded in tariff favour.

23 59. The preceding paragraphs indicate the  
24 nature of the regional effects of a tariff which  
25 has long been maintained and to which the regional  
26 economies have become more or less completely  
27 adapted. As already pointed out, however, the  
28 effects of the imposition of a new tariff or of an  
29 increase in old tariff rates are of a different sort.  
30 This is of particular importance for the present







1  
2 analysis because, as pointed out above, Canadian tariff  
3 protection was drastically increased after 1929 in an  
4 attempt to cure unemployment and it is highly probable  
5 that the Dominion Government would not be averse to  
6 adopting similar measures again at the onset of serious  
7 economic distress. The added protection was  
8 secured in the nineteen-thirties by sharp increases  
9 in tariff rates, by increasing the number of specific  
10 rather than ad valorem rates in the schedules, and by  
11 a multiplication of protective administrative devices.  
12 The dubious efficacy of this method of attack upon  
13 the unemployment problem is no part of our present  
14 concern. The regional impact of the policy must,  
15 however, be recorded.

16 60. In a study prepared for the Rowell-Sirois  
17 Commission in 1938 Professor Mackintosh -- now Principal  
18 Mackintosh of Queen's University -- analysed in some  
19 detail the regional effects of the Canadian tariff  
20 changes in the nineteen-thirties. (Mackintosh, W.A.,  
21 The Economic Background of Dominion-Provincial Relations,  
22 Appendix 3, Report of the Royal Commission on Dominion-  
23 Provincial Relations (Ottawa, 1939), pages 89-96.)  
24 A summary of his findings will serve to present the matter  
25 concisely.

26 61. Professor Mackintosh found that the tariff  
27 changes between 1929 and 1933 -- the most substantial  
28 which had been made since the period 1879-87 -- were  
29 singularly effective in diverting purchases from  
30 imports to home production and that the products in





1  
2 which the diversion from foreign to domestic production  
3 was the greatest were predominantly products of the  
4 central provinces. This was true with the exception of  
5 iron and steel, coal and petroleum products where other  
6 provinces, not including Saskatchewan, shared in the  
7 increased protection. Professor Mackintosh was  
8 unable to determine the degree to which Canadian prices  
9 of the protected products were increased as a result  
10 of the increased protection. The evidence suggested  
11 that in some cases domestic producers were able to  
12 maintain their prices at levels above duty-free prices  
13 by the full amount of the tariff. In other cases  
14 domestic producers were unable to sell their products  
15 at prices equal to the duty-free figure plus the full  
16 amount of the duty. That is, they had to sell them  
17 for something less. There were, however, very few  
18 cases in which tariff increases did not increase the  
19 margin between Canadian prices and duty-free prices  
20 to some degree.

21 62. Professor Mackintosh was careful to point  
22 out that tariff changes were not responsible for the  
23 entire decline in the purchasing power of the products  
24 of Canadian export regions in the nineteen-thirties.  
25 The tariff increases aggravated but did not occasion  
26 the fall in purchasing power, and this by having  
27 "tempered the decreases in protected prices while the  
28 export prices were fully exposed." On this point  
29 Professor Mackintosh concluded (Ibid., page 96):

30 "The fact of this aggravation (of the







1  
2 decline in the real income of Canadian export  
3 regions) is clear but its extent cannot be  
4 accurately computed. The conclusion is  
5 inescapable that effective increases in  
6 the tariff to an unmeasured but sub-  
7 stantial extent, increased the economic  
8 pressure on the predominantly export  
9 regions of the country and indirectly con-  
10 tributed to the financial burdens of the  
11 provinces concerned, burdens which the  
12 Dominion has been forced, since 1930,  
13 to assume in part."

14 63. In addition to the increased burden result-  
15 ing from tariff changes, the difficulties of western  
16 wheat producers in marketing the crops grown in the  
17 years from 1929 to 1932 inclusive were undoubtedly  
18 aggravated by the "sound money" policy so vigorously  
19 maintained by the Dominion Government during that  
20 period. National policies may be designed either  
21 to mitigate the thrust of world-wide forces, such as  
22 the world-wide deflationary forces of the early  
23 nineteen-thirties, or to leave certain vulnerable  
24 groups exposed to their full rigours. The disastrous  
25 impact of the "sound money" policy on the prairie  
26 wheat economy provided a further illustration of the  
27 fact that national policy invariably tends to  
28 reflect the centralization of power in eastern Canada.  
29 The prairie provinces know from experience that  
30 decisions on monetary policy which may from time to







1  
2 time be deemed advisable in the national interest will  
3 be implemented regardless of any possible inequality  
4 of regional incidence.

5 64. Trade treaties which modified the worst  
6 of the tariff increases in the middle thirties  
7 established preferential treatment for specific  
8 products in specific markets and thus in part offset  
9 the additional burdens imposed upon the export regions  
10 by increased industrial protection. This was true  
11 particularly for British Columbia as a result of the  
12 British and American lumber preferences, and for  
13 New Brunswick and Nova Scotia with lumber and apple  
14 preferences respectively. The bacon preference  
15 provided potential advantages to all agricultural  
16 regions. As for the British wheat preference,  
17 however, designed presumably to counteract in the  
18 prairie provinces the ill effects of enhanced indus-  
19 trial protection, Professor Mackintosh remarked:

20 "Though at times the preference on  
21 wheat may be helpful, it is difficult to  
22 discover any substantial advantage with  
23 exportable surpluses as large as Canada  
24 and Australia have had since 1932."

25 Treaty preferences secured after 1932 therefore pro-  
26 vided no significant adjustment of the burden thrust  
27 on the prairie provinces by the earlier tariff increases.  
28 In Professor Mackintosh's words:

29 "On the basis of changes in the tariff  
30 by legislation and treaty (after 1928) it is





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1  
2 clear that the net disadvantages of the  
3 prairie region have been greater than those  
4 of the other export regions."  
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1  
2 65. Professor Mackintosh concluded his analysis  
3 of the effects of the tariff changes of the 1930s with  
4 the following paragraph: (Ibid.)

5 "Canada is a country of specialized  
6 exports and has a high degree of regional  
7 specialization. It is characteristic  
8 of those exports (except gold, nickel, and  
9 probably, under more favourable circumstances,  
10 newsprint) that, in periods of price  
11 fluctuation, their prices are likely to  
12 experience extreme fluctuations. That is  
13 a basic fact of the Canadian economy. To  
14 the degree that the protective tariff is  
15 high, i.e. contains many prohibitive  
16 duties, thus isolating protected prices  
17 from world prices; in so far as it  
18 contains many specific rates which remain  
19 rigid in the face of falling prices; to  
20 the extent that effective tariff rates  
21 are sharply increased by administrative  
22 or legislative action in order to spare  
23 producers for the home market the shock  
24 of falling prices, or to increase their  
25 share of the home market, or both - it  
26 will, in the face of major price declines,  
27 exaggerate the distortions of the price  
28 structure and thrust disproportionate  
29 contractions of real income on specialized  
30 export regions.....These conclusions





1  
2 remain unaffected whether the protective  
3 tariff is considered for the economy as  
4 a whole as a desirable or an undesirable  
5 policy."

6 66. When representatives of the prairie provinces  
7 point out the unequal regional impact of the tariff  
8 structure it is commonly urged in reply that tariffs  
9 and railways are inseparable and involve complementary  
10 national policies and that the effects of the one  
11 cannot be analyzed apart from the other. Western  
12 development of any extent would obviously be impossible  
13 without railway facilities and, so it is argued, the  
14 tariff structure assures the east-west movement of  
15 goods which, in turn, serves as the paying traffic  
16 for the Canadian railway system.

17 67. It can readily be granted that without the  
18 tariff the Canadian system of railways would be wholly  
19 uneconomical. It would be incorrect to assume, however,  
20 that the prairie provinces would be without adequate  
21 railway facilities had the Canadian trans-continentals  
22 and their feeder systems not been built. As pointed  
23 out in the province's submission on the Crow's Nest  
24 Pass Agreement and Grain Rates, one of the chief  
25 concerns of the early railway policy of the  
26 dominion government was the exclusion of American  
27 railways from Canadian territory to the west of the  
28 Great Lakes. The managements of the Northern Pacific  
29 and Great Northern railways stubbornly persisted, from  
30 the eighteen-sixties until the end of the century, in







1  
2 their attempts to build into the Canadian territory both  
3 on the plains and in the mountains. Their aim was to  
4 draw the whole western Canadian region into their  
5 commercial and general economic orbit. National  
6 policies on tariffs and railways were successful in  
7 preventing this absorption. As far as the western  
8 provinces are concerned, therefore, Canadian railways  
9 are to be regarded as expensive alternatives to American  
10 railways rather than as alternatives to no railways at  
11 all.

12 68. Canadian tariffs have denied to the  
13 residents of the prairie provinces the advantages of  
14 buying in the low-cost, mass-production industrial  
15 areas of the United States. Canadian tariffs have  
16 forced them to buy the more expensive Canadian  
17 manufactured goods and to pay the freight on what is in  
18 many cases a longer haul over Canadian railway lines  
19 from the Canadian sources of supply. As producers,  
20 the people of the wheat economy have higher and more  
21 rigid costs of production as a result of tariffs.  
22 As consumers they similarly have higher and more  
23 rigid costs of living.

24 69. Canadian tariff policy has pursued the  
25 dual national purposes of fostering Canadian industry  
26 and of creating traffic for Canadian railways. To the  
27 extent that these purposes have been achieved the  
28 residents of the prairie economy have borne a double  
29 portion of the costs involved. First, they have been  
30 denied access to many of the efficient mass-producing







centres of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production centres.

Summary and Conclusions.

70. Part II of the Saskatchewan submission has illustrated the essential characteristics of national transportation policy and has demonstrated their importance for the Saskatchewan economy. Among these characteristics are the following: first, that the concept of a national transportation policy is not new but rather has evolved step by step with the evolution of the Canadian nation. Second, that transportation policy has at no time been either isolated or peripheral with relation to other basic national policies concerning trade and economic development. Third, and finally, that neither costs nor benefits of individual policies which may be judged essential in the national interest are likely to impinge equally or equitably upon the different sections of the national economy.

71. It is essential that adaptations made in the national transportation policy to take account of changing circumstances also take full account of these fundamental considerations.

72. Part II of the Saskatchewan submission has also shown the unequal impact of national policies for transportation and related aspects of Canadian economic life on Saskatchewan as compared with other sections of the nation.





1  
2 73. Adaptations of national transportation  
3 policy to present day requirements must not overlook  
4 changes in the pattern of traffic and of the rate  
5 structure. It must accommodate and foster changes  
6 which show promise of contributing to the fullest  
7 development and integration of the Canadian economy.  
8 At the same time it must have due regard for  
9 legitimate sectional interests and for the balancing  
10 of burdens and benefits with the fullest respect for  
11 the demands of regional equity.

12 74. Part III outlines and analyses a number  
13 of the more significant recent changes in the field  
14 of Canadian transportation and in the Canadian rate  
15 structure. A section deals with the question of  
16 regulation and puts forward the views of the province  
17 of Saskatchewan concerning appropriate adjustments.  
18 Another section indicates what, in the opinion of  
19 the province, is essential to effect an adequate  
20 adaptation of national transportation policy to the  
21 requirements of the present day Canadian economy.

22 Q. Now, Dr. Britnell, you have before  
23 you the last part of the general submission, Part III.  
24 Would you please proceed with that?

25 A. Part III is entitled "The Rate  
26 Structure and National Transportation Policy."







PART III

THE RATE STRUCTURE AND NATIONAL TRANSPORTATION POLICY

Introduction

1. The analysis of the railway transportation problem contained in the submission made by the government of the province of Saskatchewan to the Turgeon Royal Commission on Transportation in 1949 led to the conclusion that little could be done within the confines of the existing Canadian freight rate structure - or indeed inside any freight rate structure capable of implementation - to relieve the regional burden of maintaining the railway system of Canada. That Royal Commission in its wisdom made certain recommendations which later found expression in amendments to the Railway Act. The Transport Board proceeded to introduce into the rate structure the new legislative requirements. Although the government of Saskatchewan has on several occasions disagreed with the judgments and decisions of the Board of Transport Commissioners, it appreciates the difficulty of the Board's tasks. Furthermore, quite aside from other considerations, self interest alone suggests that the Canadian railways would not deliberately seek to fasten upon the exposed regions of the Canadian economy the inequitable burden which, in the submission of Saskatchewan, the prairie provinces in particular have been carrying for many years and which has been accentuated in the post-war period. The fact that





1  
2 the problem has so far defied the best efforts of  
3 railways and government seeking its solution may be  
4 taken as a measure of its difficulty and complexity.

5 2. In the decade which has intervened since the  
6 Turgeon Commission held its hearings a great deal of  
7 attention has been given to specific features of the  
8 rate structure - in particular to equalization,  
9 horizontal percentage increases, agreed charges, the  
10 competitive situation generally, and to the matter of  
11 the long and short haul. Many examples of differential  
12 treatment have been placed before this Royal Commission.  
13 We do not propose to add to the record but we do wish  
14 to discuss, in broad perspective, some of the  
15 principles involved. Over the past ten years special  
16 attention has been concentrated on equalization hearings  
17 and on the long and short haul problem as represented  
18 by the one and one-third rule. The Royal Commission  
19 on Agreed Charges, which arose from a dispute over  
20 the application of this rule, concluded that agreed  
21 charges should not be made subject to any such  
22 limitation. Failure to find a solution to the  
23 problem horizontal percentage freight rate increases  
24 has not been for want of discussion. The effects of  
25 competition and attempts to secure an equitable rate  
26 structure have also been brought more sharply into  
27 focus. Revenue cases since the report of the Turgeon  
28 Commission was made public in 1951 have tended to  
29 take more and more account of the erosion of traffic  
30 and the situation which now presents itself is one under







1  
2 which a relatively small and declining segment of the  
3 traffic is required to carry the greater part of the  
4 load of every authorized general increase in rates.  
5 Since the prairie region constitutes the principal  
6 remaining area in which the railways have at least a  
7 semi-monopoly in the field of transportation, this  
8 means that rate increases must fall on this region  
9 with increasing severity. Producers and consumers in  
10 the prairie provinces are farther from the markets in  
11 which they buy and sell than other parts of Canada.  
12 Thus rate increases mean much more to prairie dwellers  
13 in terms of dollars and cents than they do in other  
14 areas. A measure of relief from this relatively  
15 heavy burden would permit producers in this province  
16 to make a larger and more effective contribution to the  
17 economy of Canada than is possible at the present time.  
18 3. The province of Saskatchewan is even more  
19 skeptical today than it was at the time of the Turgeon  
20 Commission that any effective relief is possible solely  
21 through adjustments in the rate structure. Any  
22 suggestions designed to reduce the burden on the  
23 prairies or other exposed areas must also show how the  
24 amount involved can be recovered elsewhere. If the  
25 carriers were able to recoup themselves from some  
26 other area this means of redistribution of the burden might be  
27 practicable. But quite clearly this is not the  
28 case. Failure to shift the burden would inevitably  
29 be followed by further "general" rate increases to be  
30 borne, in large measure, by the vulnerable and exposed







1 segments of the Canadian economy. Thus any tangible  
2 and worthwhile results from further adjustments in the  
3 rate structure are, in the opinion of the government  
4 of Saskatchewan, likely to be disappointingly small  
5 and extremely limited in their application.  
6

7 Cost of Service vs. Value of Service.

8 4. Before discussing some of the major aspects  
9 of the railway rate structure as it now exists, it  
10 may be desirable to consider briefly whether some  
11 completely new rate structure would better serve the  
12 interests of the Canadian economy and Canadian railways.

13 5. The class rate structure was set up when  
14 railways had, in effect, a monopoly of overland  
15 transportation and is based on the assumption that  
16 some rates will return more, some less, than the full  
17 costs of transporting the goods in question. Class  
18 rates may reflect the value of the goods transported  
19 rather than the value of service but the railways are  
20 free to institute rates lower than class rates  
21 reflecting the value of service principle. These  
22 lower rates carry a very large part of all railway  
23 traffic. Actually the cost of service principle is  
24 reflected to some degree in the current rate structure  
25 in the form of different minimum weights and in  
26 allowances for particular additional services, for  
27 fragility of articles, for loadability, and for other  
28 factors directly affecting costs. Nevertheless,  
29 the fundamental assumption still is that some of the  
30 traffic will yield revenues sufficient to make up the





1 deficiency on traffic carried at less than total cost.  
2 Probably the principal features of such a rate  
3 structure are that it requires, on the one hand,  
4 regulation to prevent unduly high rates in essentially  
5 monopoly areas and, on the other hand, a great deal of  
6 ingenuity, wisdom and experience on the part of  
7 railway management to make it work.

8  
9 6. There has been a great deal of discussion  
10 recently concerning the principle of cost of service  
11 with reference to rate-making. Much of this  
12 discussion appears to assume that if the trucking industry  
13 diligently pursues the cost of service principle a  
14 railway rate structure based on value of service must  
15 ultimately break down.

16 7. In any consideration of the type of rate  
17 structure which would result from adoption of cost of  
18 service as the guiding principle it is necessary to  
19 examine whether a practicable structure could indeed  
20 be established, whether it would represent a step  
21 toward solution of the railway problem and, finally,  
22 whether at the same time it would assist in a more  
23 equitable distribution of the burden of freight rates  
24 in Canada.

25 8. It is necessary to recognize at the  
26 outset that a rate structure based on cost of service  
27 would mean a completely new rate structure based, at  
28 least in part, on weight and volume with numerous  
29 variations related to cost. The current rate  
30 structure as established under equalization would have







1 to be completely discarded.

2  
3 9. A basic unit for measuring cost would be  
4 difficult to find or define. It would have to be a  
5 unit related to weight and volume but it would also  
6 have to take account of variations in length of  
7 haul and speed of service. The ton-mile system of  
8 measurement would be subject to criticism as not being  
9 a homogenous unit. Nature of terrain, gradients  
10 and weather hazards are variables which would be  
11 reflected in costs. The regularity or irregularity  
12 of available traffic would be significant. As for  
13 the apportionment of overhead costs, it would appear  
14 to be highly unlikely that ability to pay could be  
15 effectively replaced as a practicable guide.





1  
2 10. The greatest difficulty in a rate  
3 structure tied to cost would be that it could not  
4 recognize demand and the elasticity of demand which  
5 are fundamental to a rate structure based on the value  
6 of service principle. Railway traffic officers are  
7 in a position to know from experience when a change  
8 in rates would increase traffic, but rates based on  
9 cost would seem to be inherently inflexible. A rate  
10 structure based on costs would have a much narrower  
11 spread than the one currently in effect and obviously  
12 rates on traffic presently moving on low tariffs would  
13 have to be raised. At the new and higher rates  
14 such traffic would tend to fall off and it is improbable  
15 that this would be in the interest either of the  
16 railways or of the economy as a whole. It is hard to  
17 believe that a rate structure based on cost of service  
18 would result in more effective use of railway  
19 facilities than one based on value of service. And  
20 surely any reduction in the use of railway facilities  
21 would mean that the general level of rates would have  
22 to go up.

23 11. In a discussion of value of service versus  
24 cost of service, Professor Pegrum, of the University  
25 of California, states: (Pegrum, Dudley, F., Public  
26 Regulation of Business (Homewood, 1959) pp. 538-9.)

27 "The pervasive nature of present-  
28 day competition points in the direction  
29 of rate making taking on more and more the  
30 features of competitive pricing. This is





1  
2 likely to lead to a greater simplification  
3 of pricing procedures and less formalism  
4 of rate structures.

5 Recognition of this development  
6 has led many to argue that railroads  
7 must abandon value of service as a principle  
8 of pricing and turn more and more to cost  
9 of service. In so far as this means that  
10 rates based on the value of commodities  
11 rather than on the market for services  
12 are outmoded, this point of view is  
13 correct. In any other respect, however, it  
14 is wrong. The nature of railroad costs  
15 means that costs can be used only as  
16 minima. The precise rates will have to be  
17 made in accordance with demand  
18 considerations, and this is what 'value  
19 of service' means. In other words, as  
20 rate making becomes more competitive,  
21 value of service will play a larger role  
22 than it has in the past. Cost of service,  
23 with large fixed and joint costs, can never  
24 be more than a minimum gauge."

25 12. Thus it seems improbable that such a basic  
26 change in the rate structure would, in itself, enable  
27 the railways to provide lower transportation charges  
28 for Canada as a whole or that it could effect a more  
29 equitable distribution of the costs of railway service.  
30







Competitive Factors.

13. The practice of charging different rates for the same service is recognized as legal if the discrimination can be justified as essential according to one or another accepted standard of necessity. The existence or non-existence of competition is probably the most widely applied reason for such differential treatment. It has never been suggested that the railways should be denied the right to meet competition from other carriers and it would, of course, be inequitable and impracticable to deny them this right. There remains, nevertheless, no doubt of the tremendous impact upon railway revenues of the competition of other carriers. But of even greater importance to western Canada is the unequal regional impact. As the authorized general level of rates increases the impact falls with ever increasing severity on the exposed areas and on certain types of traffic in such areas. The reasons for this situation are not far to seek.

14. Water competition in eastern Canada has from the inception of railways exerted considerable influence on the rate structure in that area. The movement of traffic by water antedated the building of railways. This natural alternative means of conveyance has been improved from time to time by the expenditure of funds out of the public treasury and this has increased the competitive force exerted by natural waterways. The province of Saskatchewan acknowledges





1  
2 that to some extent and for a portion of the long hauls  
3 outward and inward the improved waterways have eased  
4 the burden of overall costs for the movement of  
5 Saskatchewan products and Saskatchewan requirements.  
6 Nevertheless, with water competition concentrated  
7 entirely east of Fort William (except for Panama  
8 compelled transcontinental rates) and the total lack  
9 of navigable waterways on the prairies, it is  
10 certain that the benefits flowing from this type of  
11 competition, both real and potential, are of relatively  
12 greater importance in eastern Canada than on the  
13 prairies. In sharp contrast to the situation on the  
14 prairies the movement of an extremely large  
15 proportion of total traffic in the east comes under  
16 the influence of water competition. In fact  
17 practically all large industrial centres in the east  
18 are located on natural waterways, taking advantage  
19 of the benefits which such locations offer.

20 15. Water competition has thus undoubtedly  
21 exerted a powerful influence on rail rates and,  
22 consequently, on railway revenues in such areas.  
23 Of at least equal significance, however, the rate  
24 structure established by general readjustment in 1927,  
25 has suffered from the heavy impact exerted by the  
26 growth of truck competition to major proportions  
27 particularly in eastern Canada. Great improvements  
28 in highways and technical advances resulting in  
29 larger and more efficient motor trucks have brought  
30 about a steady growth in traffic susceptible to truck







1 transportation which in turn has forced the railways  
2 to establish very low rates in order to retain a share  
3 of this type of traffic.  
4

5 16. The problem thus created for the railways  
6 and for their customers has been rendered the more  
7 serious from the national point of view by the regional  
8 variation in the force of this competition. These  
9 regional differences arise from a number of  
10 different causes. In the first place the widely  
11 scattered nature of population distribution in  
12 western Canada, and particularly in Saskatchewan, has  
13 made the building and maintenance of hard-surfaced roads  
14 too expensive for the province to undertake except on  
15 a comparatively modest scale. By contrast, in eastern  
16 Canada population is more concentrated as a result  
17 of industrialization and the location of large urban  
18 centres contiguous to natural waterways. This has  
19 facilitated the building of a very complete network  
20 of highways of high standard. Secondly, in  
21 Saskatchewan, standards of construction and maintenance  
22 of many unpaved highways and most secondary roads  
23 are still inadequate to guarantee continuous  
24 truck operation under winter conditions. The handicaps  
25 are actually greater than the length of the winter  
26 season might suggest since during the spring break-up  
27 trucks are denied the use of the highways until the  
28 frost is out of the sub-base and are subject to weight  
29 restrictions over a longer period. These limitations  
30 apply even to the hard-surfaced roads of the province.





1  
2 Trucks may also be banned or greatly restricted by  
3 ministerial order from time to time during periods of  
4 heavy rainfall. This is in sharp contrast to  
5 the situation in eastern Canada where truck trans-  
6 portation is carried on all the year round.

7 17. The province of Saskatchewan thus continues  
8 to be largely dependent on railway transportation,  
9 particularly on shipments into and out of the province.  
10 The small amount of interprovincial trucking leaves  
11 Saskatchewan an area of virtual monopoly for the  
12 railways compared with the St. Lawrence region.

13 18. Thus the problems arising from the unequal  
14 regional impact of competitive factors can easily be  
15 set forth, as they have been many times, but a  
16 solution within the limits of any conceivable rate  
17 structure is, in the opinion of the province of  
18 Saskatchewan, elusive to the point of non-existence.  
19 The burden cannot be shifted from the prairies within  
20 the rate structure as such.

21 Equalization.

22 19. Among the attempts made to achieve equity  
23 in freight rates were the equalization proceedings  
24 carried out by the Board of Transport Commissioners  
25 pursuant to legislation recommended by the Turgeon  
26 Commission. Certain provinces advocated equalization  
27 in their representations to the Turgeon Commission  
28 but the province of Saskatchewan took the view that  
29 any benefits realized from equalization were likely to  
30







1 be extremely limited. The essence of Saskatchewan's  
2 position on equalization was summarized in the  
3 province's submission to the Turgeon Commission (p. 95)  
4 in the following words:  
5

6 "It is conceivable that in so far  
7 as equalization of class rates is concerned,  
8 desirable adjustments could be made without  
9 materially affecting railway revenues. The  
10 same is probably true of the proposed  
11 replacement of distributing rates by town  
12 tariffs. Any alleviation from these  
13 sources would, however, by the same token,  
14 be relatively slight. If relief were  
15 substantial the anomalous situation would  
16 occur whereby railway revenues would fall  
17 and a general increase in rates would be  
18 inevitable. This would defeat the  
19 purpose of the reductions and perpetuate,  
20 if not intensify, the present situation."

21 20. Saskatchewan was skeptical that  
22 equalization of commodity rates would bring any  
23 appreciable improvement in the position of the prairie  
24 economy. It appeared highly probably that any  
25 attempt to increase commodity rates in eastern Canada  
26 would merely result in paper rates since it seemed  
27 reasonable to assume that commodity rates in the east -  
28 as in the west - had already been established by the  
29 railways either at the highest level which would  
30 still permit the traffic to move (as may have been







1 largely the case in the west) or at a level dictated  
2 by competition (which would undoubtedly be a factor  
3 in each area). Then, too, whereas in the west traffic  
4 might move on mileage commodity rates, in the east it  
5 might move on competitive rates and no attempt to  
6 equalize competitive rates appeared likely to be  
7 fruitful. Saskatchewan was inclined to take the  
8 position that, below certain ceilings which might be  
9 imposed, all rates might be open to negotiation since,  
10 in any event, many of them would almost inevitably  
11 be superseded by some other arrangement dictated by  
12 circumstances. In other words, however attractive the  
13 theory of equalization of commodity rates might be,  
14 the requirements of flexibility would not and could not  
15 be denied.

16  
17 21. "Equalization" is now in large part a  
18 reality. Some benefits have accrued to the prairies  
19 from equalization of class rates. Whether any  
20 concrete benefits have resulted or will result from  
21 equalization of commodity rates may be open to question.  
22 There is on record at least one instance, viz., in  
23 the equalization of lumber rates, where the Board  
24 felt that higher rates in western Canada could not  
25 be reduced since the lower rates in the east could  
26 not be raised because of competition, and that with  
27 equalization at the lower level the revenue position  
28 of the railways would be prejudiced. The Board's  
29 judgment was most explicit on this point: (Judgment  
30 of the Board of Transport Commissioners for Canada





1  
2 IN THE MATTER of the General Freight Rates Investigation  
3 directed by Order in Council P.C. 1487 dated April  
4 7, 1948 (Equalization Case) and of Section 336 of the  
5 Railway Act, (National Freight Rates Policy) re  
6 commodity freight rates on lumber and forest products.  
7 File 47828.4 (Ottawa, 1959 mimeo.) p. 42.)

8 "The Board does not now consider that  
9 the normal commodity rates prevailing in  
10 eastern Canada which reflect approximately  
11 19 per cent of the Class 100 rates, in  
12 conjunction with the normal commodity  
13 rates applicable within western Canada  
14 of 23½ per cent of the Class 100 rates can,  
15 for practical reasons, be used as a basis  
16 for the establishment of uniform rates.  
17 Such a formula would result in increases  
18 in most of the present normal commodity  
19 rates within eastern Canada and reductions  
20 in practically all commodity rates within  
21 western Canada. The resulting rates  
22 within eastern Canada would be of no  
23 material value inasmuch as the major  
24 portion of this traffic now moves at much  
25 lower motor truck competitive rates, while  
26 the reduction in rates within western  
27 Canada could only result in loss of  
28 railway revenues. It is axiomatic that  
29 such loss of revenue on the western  
30 traffic could not be offset by increases







1  
2 in rates in the eastern portion of Canada.

3 In the final analysis the adoption of  
4 this method would merely be the creation  
5 of a theoretical uniform scale of rates."

6 22. This judgment thus provides a specific  
7 example of what this province has long contended in  
8 the matter of equalizing commodity rates.

9 23. So far as class rates are concerned the  
10 government of Saskatchewan adheres to the position taken  
11 before the Turgeon Commission that equalization of such  
12 rates would achieve uniformity of ceilings and place  
13 shippers and consignees moving traffic on these rates  
14 on an equality of treatment and that, as a principle,  
15 a uniform class rate structure would have at least the  
16 virtue of simplicity to commend it. Some  
17 simplification has in fact resulted. However, no  
18 progress of any significance has been achieved in  
19 shifting the burden. Even after full account has  
20 been taken of the effects of increased competition  
21 offered by road transport, there remains much point  
22 in the view which Dr. H.A. Innis expressed so  
23 succinctly in his "Memorandum on Transportation"  
24 following the Royal Commission report when he stated  
25 (p.307) that "No scheme of equalization can be  
26 devised which will overcome the effects of competition  
27 in the St. Lawrence region as reflected particularly  
28 in competitive rates. An obsession with equalization  
29 will obscure the handicaps of the Maritimes and of  
30 western Canada and perpetuate their paralysing effects."





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(Carter)

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1  
2 24. The government of Saskatchewan submits that  
3 equalization has proved a broken reed to this province  
4 and that any one of the rate increases which has  
5 been granted has vastly outweighed in its detrimental  
6 effects any alleviation which may have been brought  
7 about by virtue of the equalization of class and  
8 commodity rates.

9 --- Luncheon adjournment.  
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1  
2 --- On resume at 2.00 p.m.

3  
4 THE CHAIRMAN: Order, please. Mr.  
5 Carter?

6  
7 DIRECT EXAMINATION BY MR. CARTER (resumed):

8 Q. Would you continue, Dr. Britnell?  
9 I think you arrived at page 10 of Part III of the  
10 submission, and we are about to commence the section  
11 having to do with the One and One-third Rule and  
12 Agreed charges.

13 A. The One and One-Third Rule and Agreed  
14 Charges.

15 25. Another attempt to bring some measure  
16 of relief to the landlocked regions of Canada was  
17 reflected in enactment, on the recommendation of the  
18 Turgeon Royal Commission, of the "one and one-third  
19 rule" which provided, inter alia, that rates on  
20 goods moving from eastern Canada to shipping points  
21 in the prairie provinces must not exceed by more than  
22 one-third the competitive rates on similar goods  
23 moving from eastern Canada to the Pacific coast. It  
24 was strongly urged before that Commission by at least  
25 one province that the practice of charging higher  
26 rates for carriage of similar commodities from eastern  
27 Canada for the shorter distances to interior destina-  
28 tions in the prairie provinces than for the longer  
29 distances to west coast points demanded some redress.  
30 In answer to these contentions the availability of the  
alternative of competitive water borne transportation







1  
2 through the Panama Canal, was urged as justification  
3 for the apparent discrimination.

4 26. The almost immediate reaction of the railways  
5 to enactment of the one and one-third rule was to cancel  
6 a number of the competitive rates to the coast, some  
7 of which, although appearing in the published tariffs,  
8 were actually carrying little if any traffic. Other  
9 competitive rates cancelled by the railways were,  
10 however, moving substantial traffic. Inasmuch as the  
11 hold-down to points in Alberta and elsewhere in the  
12 interior was predicated upon the level of the com-  
13 petitive rate to the Pacific Coast the rule became  
14 inoperative as a relief to interior points as soon as  
15 the competitive rate was removed. This was the  
16 first weakness which showed up in the one and one-  
17 third rule.

18 27. The next development was the introduction  
19 or expansion of the principle of the agreed charge  
20 to reinstate, in effect, the low rates to the west  
21 coast. The railways did not apply the one and one-  
22 third rule to the agreed charge rates and the Province  
23 of Alberta complained to the Board of Transport  
24 Commissioners. After a hearing the Board sustained  
25 the railways in their contention that the rule was  
26 not applicable where an agreed charge gave a lower  
27 rate on the longer movement. The Government of  
28 Alberta then protested to the Government of Canada  
29 and this was followed by the appointment of the  
30 Turgeon Royal Commission on Agreed Charges. After





lengthy hearings that Royal Commission rejected the argument for the application of the one and one-third rule to agreed charges and recommended a very substantial relaxation of controls by the Transport Board with reference to this type of negotiated rate.

(See Report of Royal Commission on Agreed Charges 1955, Ottawa, 1955, pages 10-1, 38 and Appendix A.)

28. As a result of the recommendations of the Royal Commission on Agreed Charges and subsequent legislation the Board of Transport Commissioners now exercises very little control over the railways in the making of agreed charges. About the only control exercisable through the Board appears to lie in the provision for the fixing of a charge for the movement of products of a competitor who feels that he is prejudiced by an existing agreed charge.

29. In the opinion of the Government of Saskatchewan the argument over the one and one-third rule simply illustrates the general complaint of the exposed areas, namely, that lack of competition results in exposure to the full impact of the burden of maintaining the railway systems of Canada. For application of the one and one-third rule, if effective, must serve to reduce railway revenues. It provides no alternative source from which the reductions can be recouped. As a result, the exposed areas which have complained against rate increases must, of necessity, take up the slack in some manner or other. In other words, application of this rule would produce the same vicious circle as is







1  
2 to be found in any alternative to the horizontal  
3 increase principle within the rate structure.

4 30. Saskatchewan, therefore, submits that while  
5 long and short haul discrimination on transcontinental  
6 traffic focuses attention sharply on the impact of  
7 freight rates on the prairie provinces the question of  
8 where the reduced revenue will be recouped within the  
9 rate structure still remains unanswered. We fear it  
10 would be a delusion to think that the burden of paying  
11 for such gains as might accrue from a general appli-  
12 cation of the one and one-third rule to the prairie  
13 provinces could be shifted to any other area or  
14 group of users. At best the incidence of the burden  
15 might be changed slightly among the interior points.

16 31. The one and one-third rule does call atten-  
17 tion to what happens when competition is at work in  
18 one area and conditions of semi-monopoly obtain in  
19 another. It may be that competition is a less sig-  
20 nificant factor in the rate structure of British  
21 Columbia than it is in central Canada. In any event,  
22 however, the fact remains that areas of semi-monopoly  
23 necessarily subsidize those enjoying a great deal  
24 of competition. Consequently, in the light of the  
25 failure thus far of attempts to effect a solution to  
26 the problem of long-and-short-haul discrimination  
27 it is difficult to see how a satisfactory answer  
28 can be reached by manipulation of the rate structure.

29 32. The Report of the Royal Commission on Agreed  
30 Charges recommended legislation which greatly





1  
2 facilitated the making of agreed charges between the  
3 railways and their shippers. Extensive use of the  
4 principle of such agreed charges has been made. The  
5 Government of Saskatchewan submits that where a shipper  
6 finds the device attractive he should be accorded the  
7 opportunity of negotiating an agreed charge for the  
8 movement of his goods. This is on the assumption,  
9 of course, that the responsibility of the Board of  
10 Transport Commissioners for ensuring that no unjust  
11 discrimination results and that the rates are compen-  
12 satory will be discharged in all cases.

13 Horizontal Increases.

14 33. Analyses of the method of applying uniform  
15 percentage increases to all rates, generally referred  
16 to as horizontal percentage increases, and criticism  
17 of the impact of increases thus applied have been made  
18 so often that it is scarcely necessary to discuss the  
19 matter at any length before this Commission. It  
20 should perhaps be noted, however, that the two most  
21 serious effects of horizontal increases lie in the  
22 higher level of rates applying to longer distances, and  
23 in the detrimental effects on long-haul in comparison  
24 with short-haul shippers. Analysis of the problem  
25 is easy but a solution is hard to come by. The reason  
26 for the difficulty and perhaps the impossibility of  
27 finding a solution within the rate structure relates  
28 directly to the basic premise that freight rate  
29 increases must be sought and obtained in areas of semi-  
30 monopoly and on captive traffic, from which the burden







1  
2 cannot be shifted. Admittedly, additional revenue  
3 can from time to time be obtained from competitive  
4 rates, but in the long run freight rate increases  
5 fall with cumulative severity on the areas in which  
6 competition is relatively limited. Even if variations  
7 such as hold-downs or exceptions are used or if some  
8 combination of percentage increases and increases in  
9 terms of flat cents per 100 pounds is adopted, the  
10 inevitable fact remains that such increases can  
11 seldom if ever be fully applied in competitive areas.  
12 Under whatever method may be used and as long as  
13 increases can still be applied anywhere, the areas  
14 of semi-monopoly will bear the brunt. Put simply  
15 and with brutal frankness, the horizontal increase  
16 method is, in effect, a device or technique for  
17 applying increases to areas where increases can be  
18 made to stick.

19 34. The Turgeon Report was highly critical  
20 of horizontal increases and expressed the hope that  
21 the railways might find some alternative method, but  
22 stopped short of recommending any legislative remedy.  
23 The Province of Saskatchewan has no confidence that  
24 legislation against such increases would be effective.

25 In the normal course of events the railways must  
26 obtain revenues where they can find them and they  
27 have obviously found it necessary to continue to  
28 obtain revenues through the method of horizontal  
29 percentage increases to the extent and in the areas  
30 where this is still possible. This is no longer







1  
2 possible, as a result of present or prospective  
3 truck competition, on some traffic even in western  
4 Canada.

5 35. In the opinion of the Government of  
6 Saskatchewan the central problem of the railways  
7 results from their increasing inability to maintain a  
8 satisfactory level of rates in the face of growing  
9 competitive pressures from other forms of transport --  
10 road, water, air and pipeline. This situation is  
11 certain to grow in intensity and to become increasingly  
12 pervasive. The prairie region remains an area where  
13 competitive pressures are relatively least in evidence.  
14 It would be idle to suggest that competition to the  
15 railways is totally absent in the prairie provinces or  
16 that it cannot be expected to increase in this area.  
17 Nevertheless, the prairie provinces may expect to  
18 continue to bear a major share of the burden of rail  
19 transportation costs. So long as any captive traffic  
20 remains for the railways it will be found largely on  
21 the prairies. Saskatchewan sees no way of shifting  
22 the burden by revising the rate structure. Any such  
23 attempted reform must inevitably fall lamentably short  
24 of affording any substantial or worthwhile relief from  
25 the disproportionate burden which Saskatchewan now  
26 shares with the other two prairie provinces.

27 Recapitulation.

28 36. The Province of Saskatchewan submits that  
29 a number of points emerge from the above analysis  
30 which may be summarized as follows:





(1) At any given point of time the railways require a certain amount of revenue to operate effectively.

(ii) At the present time the burden of providing this revenue falls with unequal impact on the different parts of Canada.

(iii) In equity the objective should be to shift some of the burden from the prairie region.

(iv) None of the devices discussed in the preceding pages holds any promise that this objective can be achieved solely within the rate structure.

37. Accordingly, the Province of Saskatchewan concludes that solutions must be sought elsewhere than within the limits of the rate structure. The problem is so deeply rooted in the economic and political circumstances of the past that it is not amenable to solution by adjustments in rates. This does not mean that all avenues of possible reduction in total railway costs should not be thoroughly explored. Yet the savings to be passed on to the freight user from such reforms, improvements, innovations and economies are not likely to be immediate, impressive or large.

38. Before considering the redistribution of the burden of transportation costs the Government of Saskatchewan wishes to indicate its views on the question of the regulation of transportation media under present-day circumstances.







Regulatory Requirements and Policy.

39. Railway rate regulation by Government was envisaged in the provisions of the Consolidated Railway Act of 1879 and in the Act of 1881 incorporating the Canadian Pacific Railway Company. (See An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates: A Study in National Transportation Policy, Submission of the Province of Saskatchewan to the Royal Commission on Transportation 1960, (Regina, Queen's Printer, 1960) pages 18-19.) In both legislative enactments regulation of rates was contingent upon the financial returns of railways reaching certain levels. Rate control became a reality with the passage of the Act to authorize a subsidy for a railway through the Crow's Nest Pass, 60-61 Victoria, c. 5, assented to June 29, 1897. Under paragraph (c) provision was made for approval of rates "by the Governor in Council or by a Railway Commission, if and when such Commission is established by law . . ." The policy of control of railway freight rates by the federal government was thus firmly established before the beginning of the present century.

40. The "Railway Commission" anticipated in the Crow's Nest Pass Agreement Act was in fact established by the Railway Act of 1903 under the name of the "Board of Railway Commissioners for Canada." Under the Transport Act of 1938 the Board was given certain regulatory powers in connection with transportation on Canada's inland waterways and its name was changed





1  
2 to the "Board of Transport Commissioners for Canada," in  
3 recognition of its enlarged and developing functions.  
4 (See The Board of Transport Commissioners for Canada,  
5 a Review of its Constitution, Jurisdiction and Practice,  
6 by Rod Kerr, Q.C. (Ottawa, Queen's Printer, 1957),  
7 for a comprehensive review of the functions of the  
8 Board.)

9 41. Under the Railway Act and the Transport Act  
10 the Board has, in addition to its regulatory powers  
11 certain administrative functions and duties. To  
12 assist it in the discharge of its responsibilities,  
13 it is equipped with a research staff. Over the years  
14 its jurisdiction and duties have been steadily expanded  
15 to meet new demands and new developments in the fields  
16 of transportation and communications.

17 42. The Report of the Royal Commission on  
18 Transportation, 1951, cited four measures which "indi-  
19 cated Parliament's interest in the regulation and  
20 supervision of transport media". They were (Report  
21 of the Royal Commission on Transportation, 1951, (Ottawa,  
22 King's Printer, 1951), page 275):

23 "The establishment in 1903 of the Board  
24 of Railways Commissioners which in 1938  
25 became the Board of Transport Commissioners  
26 for Canada;

27 "The enactment in 1938 of the Transport  
28 Act providing for a degree of coordination;

29 "The establishment in 1944 of the Air  
30 Transport Board; and





1  
2 "The establishment in 1947 of the Canadian  
3 Maritime Commission."

4 43. In 1949 the Board's jurisdiction was extended  
5 to the new medium of transportation, the pipeline, with  
6 the passage of the Pipelines Act, R.S.C. 1952, c. 211.  
7 This Act was repealed by the National Energy Board Act,  
8 c. 46, Statutes of Canada, 1959, however, and juris-  
9 diction over pipelines is now vested in the National  
10 Energy Board.

11 44. Although the form and extent of regulation  
12 and control by the various Boards and Commissions over  
13 the media for which they are responsible varies, the  
14 continuing policy of parliament is clearly one of  
15 vigilance in the public interest. Regulation,  
16 originally concerned primarily with the control of  
17 rates, has become more comprehensive and Parliament  
18 gave evidence of its inclination to coordinate  
19 services of transportation media by initially including  
20 air transport under the Transport Act, 1938 with control  
21 vested in the Board of Transport Commissioners for the  
22 expressed purpose of "co-ordinating and harmonizing"  
23 operations of railways, ships and aircraft. By amendment  
24 in 1944, however, Parliament deleted reference to air  
25 transport and to this extent retreated from its previous  
26 position. Provision was made at the same time for a  
27 separate Air Transport Board. (Ibid., page 276  
28 and passim.)

29 45. The views of the Turgeon Commission on the  
30 subject of regulation and coordination were expressed







1  
2 in the following words (Ibid., page 279):

3 "In so far as Parliament can regulate and  
4 control transportation, the object should  
5 not be confined to the rather negative  
6 work of correcting abuses, but should  
7 reach out to the positive constructive  
8 task of developing adequate and efficient  
9 transportation services and of 'co-  
10 ordinating and harmonizing' the service  
11 in the public interest. The regulation  
12 of railways can best be exercised by  
13 combining it with the regulation of the  
14 other agencies of transportation."  
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1  
2 46. During most, if not all, proceedings  
3 before transportation tribunals of various kinds  
4 following World War II the position and influence of  
5 the motor truck as a carrier of freight have received  
6 a good deal of attention. Even as a fledgling  
7 industry thirty years ago account was being taken of its  
8 impact. Indeed motor vehicles were especially  
9 mentioned in the Order in Council, (P.C. 2910, November  
10 20, 1931), which established the Royal Commission to  
11 Inquire into Railways and Transportation in Canada  
12 1931-2. In the three decades since that time, motor  
13 transport has grown to the status of a major industry  
14 and occupies an important and integral place in the  
15 transportation economy of Canada. Along with the  
16 private automobile it is an important factor in the  
17 business economy of the country. And it may fairly  
18 be said that trucking has achieved its present  
19 status as a result of public demand for the particular  
20 type of service it is eminently suited to provide.

21 47. One of the greatest modern developments  
22 in Canadian transportation is the building of the  
23 Trans-Canada Highway, the completion of which is  
24 expected a year or two hence. There are still unfinished  
25 stretches in the mountains to the west and at several  
26 points in the Laurentian Shield between the prairies  
27 and southern Ontario.

28 COMMISSIONER MANN: Dr. Britnell, at this  
29 point I have a note here, and I wonder whether you  
30 had forgotten about the existence of a little part of







1 Canada which lies east of southern Ontario.

2  
3 THE WITNESS: I had not completely forgotten  
4 it. But I understood there had been a change of  
5 government in that area, and perhaps a little more  
6 cooperation may be expected.

7 COMMISSIONER MANN: Neither Nova Scotia  
8 or New Brunswick or Newfoundland finished their  
9 parts of the Trans-Canada Highway, and there are  
10 unfinished stretches east of southern Ontario.

11 THE WITNESS: Yes. Perhaps we are a  
12 little bit sanguine in expecting it to be finished  
13 there.

14 Probably no advance since the  
15 construction of the railways will have so profound  
16 an effect not only on transportation but on inter-  
17 provincial understanding and the unification of  
18 Canada as well.

19 48. When the highway is fully available for  
20 heavy traffic the actual pattern of trucking and  
21 its broadened impact on railways will become more  
22 apparent. It may very well be that the completion  
23 of the Trans-Canada Highway will revolutionize long  
24 haul freight movement. Competition between trucks  
25 and railways for traffic between the east and the  
26 west may well be sharply increased in the future.

27 49. In its brief to the Royal Commission on  
28 Transportation under Hon. W.F.A. Turgeon the government  
29 of Saskatchewan expressed its policy on truck regulation  
30 in the following words: (Submission of the Province





1 of Saskatchewan to the Royal Commission on Transportation,  
2 (Regina, King's Printer, 1949), p. 88.)

3 "There seems little doubt that the  
4 control of the Board (of Transport  
5 Commissioners) should be extended to the  
6 matter of inter-provincial trucking both  
7 as to rates and conditions of service.  
8 The further opinion is expressed that a  
9 uniformity of control over all commercial  
10 trucking would be desirable either  
11 through co-operation among the provinces  
12 or by a vesting of jurisdiction in the  
13 Dominion to the end that control might  
14 be delegated to the Board. The government  
15 of Saskatchewan is prepared at this time  
16 to surrender jurisdiction over freight  
17 rates, in the case of all commercial  
18 trucking, to the Board of Transport  
19 Commissioners but it would wish to reserve  
20 such a measure of control as to protect  
21 the provincial highways and also protect  
22 the revenue position of the province.  
23 The suggestion is also made that  
24 effective control might be exercised by  
25 provincial boards with an appeal to the  
26 Board of Transport Commissioners on matters  
27 coming within the area of centralized  
28 control. The question of jurisdiction  
29 is a difficult one, but it deserves  
30







consideration by all parties concerned."

50. It is still the opinion of the government of Saskatchewan that regulation to protect the highway and to ensure safety on the highway should be at the provincial government level and that its revenue position should be protected. However, the regulation of inter-provincial highway transport by for-hire trucks at least provides a case for federal control.

51. The views expressed by Saskatchewan were favourably received by the Turgeon Commission and the government of Saskatchewan today finds itself in agreement with the concluding comments of that Commission. (Report of the Royal Commission on Transportation 1951, (Ottawa, King's Printer, 1951), p. 280.)

"All this leads to the question whether the policy of close co-ordination and central control to which Parliament seemed inclined to commit itself in the Transport Act of 1938, should not be invoked once again with the view to its extension rather than to its restriction which has been the trend of more recent enactments. If this policy of 1938 can be revised and made effective it should properly have its beginning in the establishment of a strong control organism capable of taking the task in hand. Today there are three separate bodies, each







1 charged with the control (a more or less  
2 extensive control in each case) of a part of  
3 Canada's transportation system. They are  
4 the Board of Transport Commissioners, the  
5 Air Transport Board and the Canadian  
6 Maritime Commission. It must be difficult,  
7 with this dispersion of control, to apply  
8 to all of Canada's transportation agencies  
9 like principles of regulation for the  
10 accomplishment of a common purpose, viz.  
11 that of enabling each agency to perform  
12 its service advantageously and properly  
13 as part of a national transportation  
14 structure. The tendency of a separate  
15 independent body is to formulate policy  
16 affecting transportation without regard  
17 to the relationship of the various agencies  
18 to each other. This anomaly should give  
19 way to the constitution of a central  
20 authority which will be able to take in  
21 hand the major task of co-ordinated control,  
22 having at its disposal all the benefit  
23 acquired from the experience of the  
24 separate bodies in recent years.

25  
26 The adoption of this policy would  
27 bring together the three above named  
28 bodies, re-organized and united and  
29 devoted henceforth to the pursuit of a  
30 well planned policy for the co-ordination





1  
2 and regulation of transportation."

3 52. The members of the Commission went on to  
4 emphasize that a further advantage of unified control  
5 would arise from the economical utilization of staff.  
6 They emphasized the necessity of reliance on expert  
7 assistance in all branches of the highly complex  
8 field of transportation.

9 53. While in the foregoing the Commission made  
10 no reference to the inclusion of motor transport under  
11 the "Central Authority" it did in fact give very  
12 considerable attention to this growing industry. After  
13 an appraisal of various views the Commission said:  
14 (Ibid., p. 279).

15 "In 1937 and again in 1940 bills  
16 were introduced into Parliament providing  
17 for federal control of interprovincial  
18 and international trucking. These bills  
19 met with strong opposition and were  
20 finally withdrawn.

21 All forms of trucking have increased  
22 considerably since 1937. The time  
23 has come when Parliament might well  
24 reconsider this question of control. There  
25 seems to be no valid reason why those who  
26 carry on a business over which Parliament  
27 has jurisdiction (assuming this to be the  
28 case) in competition with others who are  
29 regulated in respect to their rates and  
30 operations should not be asked to submit to







1  
2 a similar form of control. This, of  
3 course, does not mean that any one form  
4 of transportation should be regulated  
5 only for the benefit of another.'  
6

7 54. It is the understanding of the government  
8 of Saskatchewan that the jurisdictional question  
9 parenthetically raised by the Commission has since been  
10 resolved.

11 55. While the historical and economic background  
12 of transportation policy in Canada is in many ways  
13 unique, it is of some interest to note the United  
14 States' approach to co-ordination. In 1940 a  
15 declaration of national policy was added to the  
16 Interstate Commerce Act. It reads as follows: (As  
17 cited in Locklin, D. Philip, Economics of Transportation,  
18 (homewood, 1954), p. 267.)

19 "It is hereby declared to be the  
20 national transportation policy of the  
21 Congress to provide for fair and impartial  
22 regulation of all modes of transportation  
23 subject to the provisions of the Act, so  
24 administered as to recognize and preserve  
25 the inherent advantages of each; to promote  
26 safe, adequate, economical, and efficient  
27 service and foster sound economic  
28 conditions in transportation and among  
29 the several carriers, to encourage the  
30 establishment and maintenance of reasonable





1  
2 charges for transportation services,  
3 without unjust discriminations, undue  
4 preferences or advantages, or unfair or  
5 destructive competitive practices; to  
6 cooperate with the several States and the  
7 duly authorized officials thereof; and to  
8 encourage fair wages and equitable  
9 working conditions; - all to the end of  
10 developing, coordinating, and preserving  
11 a national transportation system by water,  
12 highway, and rail, as well as other means,  
13 adequate to meet the needs of the commerce  
14 of the United States, of the Postal  
15 Service, and of the national defence. All  
16 of the provisions of this Act shall be  
17 administered and enforced with a view to  
18 carrying out the above declaration of  
19 policy."

20 56. The province of Saskatchewan has never felt  
21 the need to copy anything from other countries to meet  
22 Canada's needs. Nevertheless, the general expression  
23 of policy added to the Interstate Commerce Act in 1940  
24 is of interest to the present context.

25 57. It is the view of the government of  
26 Saskatchewan that inter-provincial trucking in Canada  
27 should now be included in a unified pattern of  
28 transportation regulation. It is the opinion of the  
29 government that as far as the different individual  
30 characteristics of the various carriers - railways,







1 ships, aircraft, motor trucks and pipelines - will permit,  
2 regulatory treatment and control should be uniform  
3 and impartially applied. Control of entry, rates,  
4 notices, financial responsibility, and conditions  
5 of carriage should be comparable as far as possible.  
6

7 58. The substantial activity by railway carriers  
8 in the trucking field, a comparatively recent  
9 development, is highly pertinent to the argument for  
10 unified control. This makes it imperative that  
11 regulation of entry should be consistent with the  
12 national transportation policy of co-ordination  
13 throughout Canada. A good deal of attention will  
14 have to be given to all phases of this trend by any  
15 centralized authority.

16 59. On the basis of the considerations presented  
17 and discussed above, the government of the province  
18 of Saskatchewan urges that this Commission recommend  
19 to the Government of Canada the creation by a separate  
20 Act of Parliament, of a Canadian "Transportation  
21 Authority" to combine and include the present functions,  
22 duties, and responsibilities of the Board of Transport  
23 Commissioners for Canada, and that such Transportation  
24 Authority be empowered especially to extend its  
25 jurisdiction to the regulation and control of inter-  
26 provincial and international motor truck transportation.  
27 This agency would have as its objective the further  
28 co-ordination of transportation services in the  
29 interest of the public with a view to ensuring the  
30 most effective use of all transportation facilities.







1  
2 A move in this direction at this time is a logical  
3 and necessary extension of the historic national  
4 policy of the regulation of transportation services in  
5 Canada.

6 I now turn to the final recommendation of  
7 the government of Saskatchewan - Redistribution of the  
8 Burden of Transportation Costs through a National  
9 Transportation Subsidy.

10 60. Parts I and II of this submission have  
11 provided the foundation and background materials for  
12 the recommendations of the province of Saskatchewan  
13 to this Commission. Part I described the structure  
14 and development of the Saskatchewan economy with  
15 particular reference to its transportation needs and  
16 problems. Part II outlined the nature and evolution  
17 of national transportation policy in Canada and of  
18 other fundamental economic policies inseparably linked  
19 with transportation policy. Part II also analysed in  
20 detail the individual and cumulative impact of these  
21 policies on the Saskatchewan economy.

22 61. It will be appropriate to remind the  
23 Commission at this time that, throughout the century  
24 of its existence, the central purposes of national  
25 transportation policy in Canada have been economic  
26 development and the economic integration of the  
27 Canadian nation. The national interest as  
28 interpreted by successive national governments  
29 outweighed and outranked regional interests. The  
30 same governments have, however, regarded regional





1  
2 interests as not something to be slighted but, rather  
3 as providing a legitimate basis for compensatory  
4 national policies.

5 62. The first transportation needs of the  
6 new Canadian nation nearly a century ago were for  
7 railway facilities and since that time railways  
8 have been regarded as instruments of national policy.  
9 The transportation prerequisites of a Canadian nation  
10 were an Atlantic railway and a Pacific railway. The  
11 Atlantic railway, the Intercolonial, was built by  
12 government from public revenues. The Pacific railway  
13 was built jointly by the government and a private  
14 syndicate with resources derived largely from the  
15 prairie provinces. The location of the railways was  
16 dictated by national considerations. This,  
17 combined with the national policy of industrial  
18 protection, forced and continues to force outlying  
19 parts of the nation to rely on artificially shielded  
20 and high priced industry for their requirements and  
21 to pay transportation costs over unnecessarily  
22 extended distances.

23 63. It is the submission of the government of  
24 Saskatchewan that Canadian transportation policy has  
25 been one of evolution. Its railway aspects  
26 originated with the unifying purpose lying behind  
27 subsidized railway construction. Through the years,  
28 expanding needs and technological progress in the  
29 form of new media of transportation have been recognized  
30 in the steadily developing transportation policy.







1 Canadian governments have not hesitated to take bold  
2 action when called upon to meet special conditions  
3 and problems. The incorporation of the Canadian  
4 National Railway Company in 1919 and its development  
5 into a unified system by January 1, 1923 is a  
6 noteworthy instance of imaginative and vigorous action.  
7 The passage of the Maritime Freight Rates Act  
8 following the presentation of the report of the Duncan  
9 Commission on Maritime Claims on September 23, 1926  
10 marked a further step in national transportation policy.  
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2 64. The Maritime Freight Rates Act involved the  
3 principle of fiscal assistance accompanied by railway  
4 rate reductions to further the purpose of Canadian  
5 economic unity. The extensive amendments to the  
6 Railway Act made in implementation of the report of the  
7 Turgeon Commission included provision for the so-called  
8 "bridge subsidy". Assistance towards linking the  
9 economies of eastern and western Canada and continuing  
10 recognition of the importance of the transcontinental  
11 lines in the "defence structure" were cited in support  
12 of the recommendation by the Commission.

13 65. More recently special attention has been  
14 paid to the representations of the Government of the  
15 Maritime and Western Provinces protesting the impact  
16 of increases in railway freight rates on long haul and  
17 captive traffic. The Federal Government, by subsidy  
18 provided for in the Freight Rates Reduction Act of  
19 1959, moved to relieve a portion of the burden, albeit  
20 on a temporary basis pending further investigation.

21 66. National transportation policy has not,  
22 however, by any means been confined exclusively to  
23 assistance to railways. Development of and improvements  
24 to inland waterways, harbours, airports and aids to  
25 navigation generally reflect the evolution of Canadian  
26 policy. The substantial financial participation of the  
27 federal government in the Trans-Canada highway takes  
28 cognizance of the need to provide facilities within  
29 Canada for transcontinental highway travel. From the  
30 early days of Canadian nationhood down to the present





1  
2 time, public assistance has been an integral part of  
3 national railway and transportation policy.

4 67. The Government of Saskatchewan considers  
5 that regulation and coordination of public transporta-  
6 tion media by a national transportation authority can  
7 make a significant contribution toward promoting the most  
8 efficient use of transport facilities and thereby ensur-  
9 ing the lowest possible costs. It is nevertheless  
10 fully appreciated that full and effective coordination  
11 will be neither easily nor rapidly accomplished.  
12 Nor can such coordination of itself redistribute the  
13 inequitable burden which rests on exposed and vul-  
14 nerable areas.

15 68. The Government of Saskatchewan has no  
16 confidence that adjustments purely within the rate  
17 structure offer any solution to the problem facing  
18 the railways or the users of railway freight services.  
19 The horizontal percentage method of accomplishing rate  
20 adjustments appears to be the only one which can be  
21 applied generally by a regulatory body. No matter what  
22 the form, increases can be fully effective only on  
23 captive traffic. Alternatives would be so similar  
24 in their effect that the result would be indistinguish-  
25 able from the present method. The degree of com-  
26 petitive pressure dictates the areas and the traffic  
27 which must supply any additional revenue whatever  
28 method is used.

29 69. It appears to Saskatchewan that the railways  
30 are faced with serious financial difficulties but no







1  
2 imminent danger of collapse. To obtain the income  
3 they require, the railways have had to place very high  
4 charges on traffic that can bear it. As freight  
5 rates have steadily increased in the postwar period a  
6 situation has developed in which too small a percentage  
7 of the traffic is called upon to bear too large a share  
8 of any increase allowed. This is clearly an indication  
9 that increases in freight rates are approaching the  
10 end of their effectiveness. With no obvious way of  
11 increasing their income and no apparent end to their  
12 cost increases, the railways may indeed be in a pre-  
13 carious position. High freight rates tend to dry  
14 up traffic and leave the way open for trucks to  
15 gain an increasing proportion of that which remains.  
16 70. In order to preserve proper perspective,  
17 any appraisal of the present position of the railways  
18 of Canada must be made against the background of  
19 their role as instruments of national policy. Clearly  
20 Canadian railways cannot be looked upon as ordinary  
21 business enterprises, to stand or fall by the  
22 criteria applied to normal commercial concerns.  
23 History precludes this. Nevertheless, they are  
24 subject to all the normal pressures of the commercial  
25 world. Their traditional function of supplying a  
26 comprehensive transportation service for all types of  
27 traffic, freight and passenger, limits their flexi-  
28 bility -- a feature enjoyed in large measure by their  
29 competitors.

30 71. The Government of Saskatchewan wishes to





1  
2 make it clear that in its opinion the preservation of  
3 the railway system of Canada is absolutely essential  
4 to Canada, to every region and to every person in  
5 Canada. National policy should again be adapted to  
6 this end.

7 72. The Government of Saskatchewan sees no  
8 way of achieving a measure of relief commensurate  
9 with the disability which rests on the outlying regions  
10 and, at the same time, of assisting the railways to  
11 continue to perform their function except through resort  
12 to a national transportation subsidy. The Government  
13 considers such a step to be a necessary and logical  
14 further development in the national transportation  
15 policy.

16 73. The form and extent of a subsidy is admit-  
17 tedly not easy to determine. Some objectives may  
18 however assist to this end. It should be consistent  
19 with established national policy and ameliorate to  
20 some extent the unequal impact of such national policy.  
21 It should promote the flow of traffic and thereby  
22 foster a closer economic relationship between all  
23 parts of Canada. It should mitigate to a degree the  
24 divisive effect of great distances by absorbing a  
25 portion of the transportation cost and blunt, to  
26 some extent at least, the sharp edge of any future  
27 general increases. It should be applied in such a  
28 manner as to avoid discriminating between different  
29 regions and thereby be regarded as a truly national  
30 subsidy, one from which all parts of Canada may







benefit while still achieving one of its main objectives, that of redistributing the burden of transportation costs. It should not be of a nature that would simply result in the federal treasury underwriting railway revenue deficits.

#### Summary and Conclusions.

74. In the preparation of this submission the Province of Saskatchewan has taken particular heed of the phrase "in furtherance of national economic policy" which appears in clause (a) of the Commission's terms of reference. This indicates, in the opinion of the Province, that the central task assigned to the Commission was to determine and to recommend to the Government of Canada, modifications which are necessary to bring national transportation policy into accord with the present-day demands of the Canadian economy.

75. This task has obviously imposed upon the Commission the necessity for a thorough-going appraisal of the Canadian economy and of the many changes recently completed or still in process. Less obvious, perhaps, but equally certain and significant is the fact that appropriate adaptations of national transportation policy cannot be determined without recognition of its historical and evolutionary nature. In recognition of this fact the Province of Saskatchewan has taken the utmost care in its submission to present to the Commission the essential features of the development of Canadian transportation services and of the





1  
2 policy of Government with reference to them.

3 76. The recommendations of the Province of  
4 Saskatchewan have emerged logically from the examination  
5 of these fundamental aspects of the problem. These  
6 recommendations are first that provision should be  
7 made for greater centralization and uniformity of  
8 control over transportation media with particular  
9 reference to the services of railways and inter-  
10 provincial highway carriers and, second, that provision  
11 should be made for a national transportation subsidy.  
12 The Province of Saskatchewan is convinced that both of  
13 these would lead to the furtherance of national trans-  
14 portation policy and the national interest.

15 77. The impairment of a national and overall  
16 approach to Canadian transportation problems resulting  
17 from divided and diffused control over long-distance  
18 trucking points all too obviously to the need for greater  
19 integration. On the same count, the apparent tendency  
20 of the Dominion Government to reverse its earlier pro-  
21 gression toward unitary control over the various  
22 transportation media which lie exclusively and un-  
23 questionably within its constitutional realm can only  
24 be regarded as most regrettable. A national trans-  
25 portation subsidy would clearly further the national  
26 interest in that it would facilitate the interchange  
27 of commodities on the widest possible basis and would  
28 expand the traffic potential.

29 78. The Government of Saskatchewan wishes to  
30 reserve the right to offer further observations and







1  
2 recommendations at a later stage of the Commission's  
3 proceedings.

4 Q. Dr. Britnell, I want to take you back  
5 for a moment to paragraphs 57, 58 and 59 of Part III  
6 of the submission, found at page 20. So that we  
7 have them just clearly before us, I wish quickly to  
8 read them. They read:

9 "It is the view of the Government of  
10 Saskatchewan that interprovincial trucking  
11 in Canada should now be included in a unified  
12 pattern of transportation regulation. It is  
13 the opinion of the Government that as far as  
14 the different individual characteristics of  
15 the various carriers -- railways, ships,  
16 aircraft, motor trucks and pipelines -- will  
17 permit, regulatory treatment and control should  
18 be uniform and impartially applied. Control  
19 of entry, rates, notices, financial respon-  
20 sibility, and conditions of carriage should  
21 be comparable as far as possible.

22 58. The substantial activity by railway  
23 carriers in the trucking field, a com-  
24 paratively recent development, is highly  
25 pertinent to the argument for unified  
26 control. This makes it imperative that  
27 regulation of entry should be consistent  
28 with the national transportation policy  
29 of coordination throughout Canada. A  
30 good deal of attention will have to be







1  
2 given to all phases of this trend by any  
3 centralized authority.

4 59. On the basis of the considerations  
5 presented and discussed above, the Government  
6 of the Province of Saskatchewan urges that  
7 this Commission recommend to the Government  
8 of Canada the creation by a separate Act of  
9 Parliament, of a Canadian "Transportation  
10 Authority" to combine and include the present  
11 functions, duties, and responsibilities of  
12 the Board of Transport Commissioners for  
13 Canada, and that such Transportation Authority  
14 be empowered especially to extend its juris-  
15 diction to the regulation and control of  
16 interprovincial and international motor  
17 truck transportation. This agency  
18 would have as its objective the further  
19 coordination of transportation services  
20 in the interest of the public with a view  
21 to ensuring the most effective use of all  
22 transportation facilities. A move in  
23 this direction at this time is a logical  
24 and necessary extension of the historic  
25 national policy of the regulation of trans-  
26 portation services in Canada."

27 In this portion of the submission, Saskatche-  
28 want sets out its position in a general way. Has the  
29 Government given any thought to the particular method  
30 or machinery by which a unified pattern of transportation





1  
2 regulation might be set up or to particular considera-  
3 tions which might be involved in the setting up such  
4 a system of regulation?

5 A. Yes, it has.

6 Q. Has Saskatchewan considered the method  
7 by which all of the varied transportation media referred  
8 to in its submission -- that is, pipelines, ships,  
9 and so on-- by which all of those various transportation  
10 media might be brought within such a system of regula-  
11 tion?

12 A. The Government of Saskatchewan has  
13 directed its thinking in this area particularly to the  
14 question of ways and means by which truck transportation  
15 may be brought into a unified system of transport  
16 regulation with rail. As a general proposition, the  
17 government believes that other media should also be  
18 within the proposed system. The fact of the matter is,  
19 however, that for most Canadians concerned with the  
20 movement of goods, truck transportation is increasingly  
21 occupying the position of the alternative carrier to  
22 rail.

23 Q. Has Saskatchewan come to any final  
24 decision as to the ways and means by which a unified  
25 pattern of transportation regulation -- and that is the  
26 phrase used in the brief -- might be brought into  
27 effect with particular reference to truck and rail?

28 A. Well, the Government of Saskatchewan  
29 is not wedded to any particular method or machinery by  
30 which trucking might be brought within a unified pattern







1  
2 of transport regulation. It has, however, given a  
3 fair amount of thought to this problem and wishes to  
4 place before this Commission the conclusions, both  
5 general and specific, which it has arrived at. Again,  
6 however, Saskatchewan would welcome a critical examina-  
7 tion of these proposals, being well aware that this  
8 is a very complex field in which it is impossible  
9 to speak with absolute and complete certainty or  
10 finality. Having this in mind, Saskatchewan has  
11 certain suggestions to make, some general, some  
12 specific, which in its view could form part of a  
13 regulatory system which would embrace truck operations.

14 Q. In Saskatchewan's view should intra-  
15 provincial truck operations be included in such a  
16 system?

17 A. Saskatchewan believes that ideally -- and  
18 we are a little distant from that, probably -- intra-  
19 provincial truck operations should fall under the  
20 jurisdiction of the same regulatory body as that  
21 controlling rail and interprovincial truck undertakings.  
22 This is particularly so if any attempt is made to  
23 regulate the effect of truck competition on rail in the  
24 provinces of Central Canada. Presumably much of that  
25 competition involves intra-provincial operations.

26 Q. Is it the opinion of Saskatchewan that  
27 consideration should be given at this time to bringing  
28 intra-provincial truck operations in some manner within  
29 a scheme of federal control?

30 A. No. The Government of Saskatchewan is,





1  
2 of course, aware of the fact that this branch of  
3 highway operation is within the legislative power of  
4 the provinces. It seems certain that all of the  
5 provinces would not at this time be ready to turn  
6 this area of jurisdiction over to the federal govern-  
7 ment. Saskatchewan has not, in view of this, given  
8 any consideration to the ways and means by which  
9 intra-provincial truck operations might in the event  
10 that jurisdiction over them passed into federal hands  
11 be tied in with an overall system of transportation  
12 regulation.

13 Q. Has Saskatchewan considered whether  
14 or not it, as one province, would be ready to turn over  
15 or relinquish, if you like, its jurisdiction over  
16 intra-provincial trucking to the Dominion?

17 A. No, it has not. By reason of the  
18 obvious practical difficulty lying in the path of any  
19 such suggestion at the present time, Saskatchewan has  
20 not, therefore, considered the question of whether or  
21 not it would itself be ready to surrender jurisdiction  
22 in this area to the Dominion.

23 Q. Are there any steps which the province  
24 would be willing to take at this time involving this  
25 matter?

26 A. In the event that the federal government  
27 and the other provinces are interested at all in  
28 Saskatchewan's proposal, that an overall transportation  
29 authority be set up, then the Government of Saskatchewan  
30 will be ready to discuss with them the possibility of







1  
2 turning over to the federal authority some, if not all,  
3 of the province's control over intra-provincial truck  
4 operations. Any such discussions would, of course,  
5 have to proceed on the assumption that the province  
6 would not suffer in its revenue, and that it retain  
7 control over such matters as weight restrictions and  
8 safety measures.

9 Q. In view of what you say, I take it in  
10 considering this question of regulation as applied  
11 to highway transport Saskatchewan has confined itself  
12 to interprovincial movements?

13 A. That is correct. The province has  
14 restricted its present examination to certain matters  
15 involved in bringing interprovincial trucking under  
16 the same regulatory authority.

17 THE CHAIRMAN: And international?

18 THE WITNESS: I was coming to that later.  
19 . . . under the same regulatory authority as rail and  
20 other media of transport. The province believes that  
21 such a step, even though perhaps short of the ideal,  
22 might secure significant advantages for the public  
23 generally, for the railways, for the truckers, and for  
24 the shippers.

25 MR. CARTER: Q. I take it that you are  
26 familiar in a general way with the provisions of the  
27 Federal Motor Vehicle Transport Act?

28 A. In a very general way, yes.

29 Q. You will perhaps be aware that that  
30 statute provides, in effect, for the delegation by the







1  
2 Dominion of its control over interprovincial trucking  
3 operations to the provincial regulatory bodies: are  
4 you aware of that?

5 A. Yes, I am aware of that.

6 Q. Is it Saskatchewan's opinion that the  
7 regulation of interprovincial truck transport should  
8 continue in any way to be delegated to the provinces?

9 A. No. In Saskatchewan's opinion any  
10 overall federal authority, the objective of which was  
11 to set up a unified pattern of transport regulation  
12 which would embrace all forms of transport, would  
13 break down at once in the event that any significant  
14 part of its jurisdiction were delegated. It would  
15 appear that this would be the case even if the statute  
16 setting up the federal authority were to spell out in  
17 detail the manner in which and the criterion upon  
18 which provincial authorities should carry out their  
19 duties. In such a situation, with different per-  
20 sonnel attempting to administer the same statute it  
21 would be likely that the whole situation would founder  
22 in a morass of conflicting decisions.

23 Q. In the opinion of Saskatchewan would  
24 there be any advantage to the interprovincial truck  
25 operator himself in being brought within such a system,  
26 thus might the fear which the truckers express of  
27 rail domination of a federal authority perhaps be a  
28 real one?

29 A. I don't think so. One main objective  
30 of the system would be to enhance the stature and





1  
2 status of the trucker. The purpose of the system  
3 would certainly not be to put the truck in a secondary  
4 position to rail. This is not to suggest, however,  
5 that there are not any places, chiefly perhaps with  
6 intra-provincial operations, where the most obvious and  
7 most useful place for a trucker is in the operation  
8 of a service which is complementary to rail or to  
9 long-haul truck operations. From this point of view  
10 one of the functions of the overall authority should be,  
11 to the extent to which its jurisdiction would permit,  
12 to see to it that where desirable truck operations are  
13 dovetailed with rail or with long-distance truck hauls.

14  
15 ---Short recess.  
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1  
2 Q. You said a moment ago, Dr. Britnell,  
3 that one main objective of the system -- this  
4 regulatory system -- would be to enhance the stature  
5 and status of the trucker. How would this be  
6 accomplished?

7 A. The system which Saskatchewan  
8 suggests would have certain immediate purposes in  
9 controlling inter-provincial trucking. The attainment  
10 of these, in view of the province, would aid the  
11 orderly growth of the trucking industry and in the  
12 process add to its long-term strength and overall  
13 status.

14 Q. What are these purposes, may I ask,  
15 which the province has in mind?

16 A. The first of these might be termed  
17 stability of rates. The next would be stability of  
18 service; the third, financial stability. Then, the  
19 preservation of an effective degree of competition;  
20 and finally uniform standards in equipment and  
21 operation.

22 Q. May I take you over those points.  
23 What does the province mean in saying that stability  
24 of rates is one of the immediate purposes which its  
25 purposed regulatory system would seek to attain?

26 A. For one thing, all inter-provincial  
27 trucks should be required to file and publish their  
28 rates with the federal authority.

29 Q. Does that imply, sir, that the  
30 federal authority, to call it that, have the power to





1  
2 control rates?

3 A. Yes, in the sense that the federal  
4 authorities should determine maximum rates. In  
5 the province's opinion, it should also have power to  
6 be exercised on its own motion or on the basis of  
7 complaint to ensure that rates published by a trucker  
8 or any other transporter was less than compensatory.  
9 The area between these limits would be the sort of  
10 playground for competition between the various media  
11 of transport.

12 Q. Might not the policing or enforcing  
13 of these rates raise something of an administrative  
14 problem?

15 A. I do not think it should. The public  
16 filing and publishing of rates should ensure immediate  
17 complaint in the event that a rate higher than the  
18 one approved by the authority or, alternatively, one  
19 which was not compensatory was charged.

20 Q. Has the province, sir, considered  
21 the basis upon which such a federal authority might  
22 fix maximum rates or on which it might determine the  
23 level of compensatory rates?

24 A. The answer to that question involves  
25 some rather complex considerations. The government  
26 of Saskatchewan is not at this time ready to  
27 suggest any criteria.

28 Clearly, however, there are important  
29 points. Thus, in the event that a federal authority  
30 granted only one franchise for a truck haul between







1 two points, there would have to be adequate safeguards  
2 written in, particularly by way of maximum rates,  
3 especially if the force of competition over the route  
4 from other carriers was not strong.

5 Again, if any subsidy or any subsidy  
6 scheme of any kind were in operation which affected  
7 trucks, it would probably be necessary to fix maximum  
8 rates with care and on the basis of adequate criteria.

9 Q. You said a moment ago, sir, that  
10 stability of service was another purposes which  
11 Saskatchewan would hope to see achieved in bringing  
12 inter-provincial trucking within its scheme of  
13 unified regulatory control. What is meant by that?

14 A. Well, this would involve for one  
15 thing control of entry into the intra-provincial  
16 trucking field.

17 Q. On what criteria would such control  
18 be based?

19 A. Well, Saskatchewan can only spell  
20 this out in a very general way. Certainly, all such  
21 criteria would have to be related directly or indirectly  
22 to the requirement that all forms of transportation  
23 be coordinated within that framework. However, it  
24 would seem that one test would be the question of  
25 whether or not existing services were adequate. The  
26 time-honoured question of public convenience and  
27 necessity might also be another basis upon which  
28 entries should be controlled. Financial stability  
29 would be another criteria.  
30







1  
2 Generally, however, the fixing of criteria  
3 within the framework of coordination is a matter  
4 which should very probably be left to the federal  
5 authorities to work out.

6 Q. In the province's view, sir, are  
7 there any other matters which should be considered  
8 in connection with stability of service, as you term  
9 it?

10 A. Yes, in Saskatchewan's opinion it  
11 would be desirable that the federal authority  
12 should, to the extent possible, require -- or if not  
13 require, at least encourage -- the operations of  
14 inter-provincial trucks on a scheduled basis.

15 Again, the federal authorities should  
16 probably see to it where coordination of public  
17 necessity requires that an applicant for a truck  
18 franchise would be required to serve intermediate  
19 points on his route as well as carrying goods between  
20 his particular terminals.

21 Also, the federal authority should be  
22 able to employ some sanctions to assure that the  
23 holder of a franchise maintained a dependable  
24 service. This might in extreme cases involve a  
25 loss of the franchise.

26 COMMISSIONER MANN: Dr. Britnell, when  
27 you are setting out these criteria, are you speaking  
28 of the general for-hire carrier only, or are you  
29 also embracing in your exposition the operations of  
30 so called contract carriers?





1  
2 MR. CARTER: I am coming to that, sir,  
3 if I might -- at least I am coming to that in this  
4 sense that I propose to touch briefly on the question  
5 of the private carrier. There is a good deal of  
6 jargon in this field. However, you might describe  
7 a contract carrier in a sense as a private carrier,  
8 but this is --

9 COMMISSIONER MANN: In this lingua franca  
10 that the transportation fraternity has, the private  
11 carrier is quite a different carrier.

12 MR. CARTER: You have in mind a  
13 carrier who is employed by, say, a wholesaler to  
14 run his goods from Winnipeg to, say, Saskatoon,  
15 and that carrier would engage just in the carriage of  
16 that carrier's goods?

17 COMMISSIONER MANN: Let me tell you what  
18 I have in mind. In Ontario what is commonly understood  
19 as a contract carrier is a carrier whose franchise  
20 is restricted to the carriage of goods belonging to  
21 one or more firms set out in the franchise, that  
22 vehicle not necessarily being the vehicle of the owner  
23 of the goods.

24 MR. CARTER: Yes, quite. Yes, I am coming  
25 to a fringe of that problem, in any event, sir.  
26 Perhaps when you have heard us out on this point, I  
27 think perhaps something of an answer will be there.

28 COMMISSIONER MANN: Fine, thank you.

29 MR. CARTER: I do not propose, however, sir,  
30 at the moment squarely to hit the contract carrier







1 as such.

2  
3 COMMISSIONER MANN: Fine. Thank you very  
4 much.

5 MR. CARTER Q: Under Saskatchewan's  
6 proposed scheme, would the holder of an inter-  
7 provincial franchise be able at will to abandon some  
8 part of his service, or the route?

9 A. No, he would not. Saskatchewan feels  
10 that the federal authority might well exercise some  
11 control over this sort of situation. The province  
12 feels that the rule followed by the Board of  
13 Transport Commissioners in rail abandonment might be  
14 something of a guide in this area.

15 The question would then in effect be  
16 whether the loss and inconvenience to the public  
17 consequent upon the abandonment outweighs the burden  
18 that continued operation of the truck line would  
19 impose upon the truck company.

20 Q. As I have it, another one of the  
21 purposes you outlined a moment ago was financial  
22 stability. What is meant by that?

23 A. Well, this, of course, is an area  
24 that blends into the question of control of intra  
25 to some extent. In any event, this consideration  
26 would involve the federal authority retaining the  
27 right to take away a franchise in the event that  
28 the holder of it was not, in the opinion of the  
29 federal authority, financially able to properly  
30 carry on his operations.





1  
2 Q. What information as to, or knowledge  
3 of, the financial position of such a contract operator  
4 would this federal authority have?

5 A. In Saskatchewan's view the federal  
6 authority should set up a system of uniform accounts.  
7 The holder of any franchise granted by the authority  
8 would be required to submit annual reports on the  
9 basis of the system of uniform accounts.

10 Financial stability would also be safeguarded,  
11 at least to some extent, through the powers of the  
12 federal authority to disallow rates which were not  
13 compensatory.

14 Q. Are there any other matters, sir,  
15 which in the province's view should be dealt with by  
16 the federal authority in attempting to secure the  
17 financial stability of the truck operator?

18 A. Yes. The authority should have the  
19 power to require franchise holders to secure minimum  
20 insurance, both on cargo and for public liability.

21 Q. You said a moment ago, sir, that  
22 a further purpose would be the preservation of an  
23 effective degree of competition. What is meant by  
24 that?

25 A. Well, in Saskatchewan's view any  
26 overall system of transportation regulation and  
27 coordination should not, indeed, must not stifle  
28 competition.

29 This is an area where it is necessary,  
30 perhaps, to generalize to a certain extent. Such a







1  
2 system, however, must be so designed and so administered  
3 that competition between and within the various  
4 forms of transportation will continue to have an  
5 important part to play.

6 Such competition, however, would have to  
7 be held within reasonable limits by the federal  
8 authority and kept from assuming destructive and  
9 wasteful forms.

10 The primary objective of the system should  
11 be to use each form of transportation to the best  
12 long-run advantage of the public itself. That is  
13 the basic criterion.

14 Q. May I invite you, sir, to turn  
15 to the somewhat thorny question of the rail coming  
16 into the road -- I do not mean literally, but rail entry  
17 into highway transport.  
18 Has Saskatchewan given any consideration to this  
19 matter in connection with its proposed system of  
20 regulation?

21 A. The Board sees this as a matter  
22 which a federal authority might well have to deal  
23 with in attempting to preserve an effective degree  
24 of competition. The government of Saskatchewan,  
25 however, sees no objection to rail entry into  
26 highway transport merely because a railway wishes  
27 to operate a truck operation. On the other hand,  
28 it feels that the federal authority should be armed  
29 with power, presumably through control of entry  
30 and rate control, to prevent a situation developing --  
or, better still, to stop it when it develops, if







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Britnell, dir.  
(Carter)

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1  
2 that is not possible -- where a highway subsidiary  
3 or affiliate of a rail company so conducts its affairs  
4 with a view to the compete removal of its competitors.  
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1  
2                   However, in Saskatchewan's view the  
3 federal authority should possess powers which would  
4 enable it to prevent the growth of monopoly among  
5 highway operators.     This again is a complex field,  
6 but a judicious use of control of entry and control  
7 of rates, together perhaps with control over  
8 consolidation or merger of large concerns, should  
9 in themselves go far towards achieving this end.

10               Q.     You said also, sir, that another one  
11 of these purposes to be achieved by this regulatory  
12 system would be uniform standards in equipment and  
13 operation.     Can you elaborate on that?

14               A.     In Saskatchewan's opinion it would  
15 be desirable that the federal authority should set up  
16 and enforce uniform basic or minimum standards of  
17 equipment.     Similarly, even although it is a matter  
18 which is probably within federal jurisdiction, the  
19 authority might well provide for basic standards of  
20 safety, including perhaps as a condition of safety  
21 hours of work, maximum hours of work for drivers.

22               Q.     What about weight restrictions?

23               A.     In Saskatchewan's view it would  
24 be desirable, if possible, to work out a uniform  
25 system of weight restrictions among the various  
26 provinces.     Again this would, I think, be a matter  
27 within the legislative jurisdiction of the provinces.  
28 This might, however, be a fruitful field for  
29 cooperative effort between the provinces and the  
30 federal authority.







1  
2 Q. Under the province's suggested  
3 scheme, Dr. Britnell, would the inter-provincial truck  
4 operator still be required to license his vehicles  
5 in the provinces through which he operated?

6 A. That question involves, of course,  
7 the revenue position of the provinces. Saskatchewan  
8 is anxious that this should be completely protected  
9 for the individual provinces. It is the province's  
10 opinion that this revenue position need not be affected  
11 by the setting up of an overall transportation authority.  
12 Saskatchewan suggests that the mechanics of application  
13 to the federal authority and the licensing of the  
14 truck operator by the provinces affected would involve  
15 first an application by the operator to the federal  
16 authority for an operating authority permitting him  
17 to engage in some inter-provincial haul, and having  
18 secured his operating authority the trucker would  
19 then have to secure from each of the provinces  
20 affected by his run the necessary licenses to travel  
21 over their roads. The provinces would not, of course,  
22 be able to deny him the license provided he complied  
23 with all the laws of general application with the  
24 securing and holding of such license.

25 Q. In Saskatchewan's view would that  
26 federal authority exercise any control over international  
27 truck operations?

28 A. The province is unable to see that  
29 it would be possible to work out a scheme under which  
30 rates covering the Canadian portion of an international





1 run could be controlled effectively in the sense of  
2 setting maxima and droffing non-compensatory rates.  
3 On the other hand, in Saskatchewan's view all the  
4 other requirements of the federal authority should  
5 apply to international operations. Those tariffs  
6 which have to be filed and published would be subject  
7 to control, entry and so on.

8 Q. Does Saskatchewan take the position  
9 that a private carrier engaged in an inter-provincial  
10 haul should be subject to this ;regulatory system?

11 A. No. Saskatchewan cannot accept  
12 the prpoosition that a person should not be free to  
13 carry his own goods wherever he wishes to without  
14 securing ;special ;permission. In Saskatchewan's  
15 experience the operations of a private carrier have  
16 not given rise to any significant problems in the  
17 control of intra-provincial operations. The farm  
18 truck, I suppose, in Saskatchewan is the most obvious  
19 example of this. To some extent private carriers  
20 probably engage in the inter-provincial movement of  
21 livestock from Saskatchewan to Manitoba, but again  
22 here this has not, in the experience of the province,  
23 given rise to any significant problem. It may well  
24 be, however, that other provinces in which the private  
25 carriage of goods has assumed greater propertions  
26 may have a different opinion on the subject arising  
27 from their experience. We can only ground ourselves  
28 on our own experience.

29 COMMISSIONER BALCH:In referring to the  
30







1  
2 international phase, would you expect that the province  
3 would have control of that or the federal government?  
4 Supposing the trucking concern is solely within one  
5 province internationally from, say, the United States  
6 to the United States. Under your thinking who would  
7 have the control?

8 MR. CARTER: With respect, sir, I think  
9 that probably involves a question of law with  
10 respect to the jurisdiction over such an undertaking.  
11 If I may give my opinion, it is that such a haul,  
12 being not an internal undertaking within the province,  
13 wholly within the province, would be within federal  
14 jurisdiction on the basis of the Winner case. At  
15 least that is my best opinion. I don't know that  
16 Dr. Britnell can assist us on that.

17 Now, I have no further questions to put  
18 to Dr. Britnell.

19 I suggested a moment ago that we might  
20 be skirting upon the fringes of the question of the  
21 contract carrier. I think upon considering that  
22 it might be drawing too long a bow to say that we  
23 have even sniffed at it so far.

24 Might I say that the evidence I have got  
25 out so far from Dr. Britnell is the submission and  
26 opinion that the province of Saskatchewan has come  
27 to. We might be able to add something to them with  
28 respect to that particular point. I shall consider  
29 that, if I may, overnight, and if we can add anything  
30 useful to what we have said so far we shall do so in







1 the morning.

2  
3 THE CHAIRMAN: Thank you, doctor, for a  
4 very complete submission.

5 Mr. Cumming?

6 ---CROSS-EXAMINATION BY MR. CUMMING:

7 Q. Dr. Britnell, I am interested  
8 firstly in what I think may be fairly described as  
9 the principal proposal advanced by the province of  
10 Saskatchewan, namely the matter of a national  
11 transportation subsidy which you deal with in the  
12 latter part of Part III of the submission.

13 MR. CARTER: It pains me, sir, to rise  
14 with the very first question that is put to the witness  
15 in cross-examination. However, I am not objecting  
16 to the question, but I would refer my learned friend  
17 to the note of caution which I sounded in my opening  
18 remarks on Friday to the effect that, by virtue of  
19 the position that the province was in, as I said  
20 at that time, it has had in certain areas of analysis  
21 to restrict itself to general principle only, and  
22 as an example of that I cited in particular the  
23 subsidy proposal. Now, I am not rising to object  
24 to my learned friend's question; I am rising again  
25 to underscore the word of caution I then put forward.

26 THE CHAIRMAN: Mr. Cumming, carry on.

27 MR. CUMMING: And, of course, I have in  
28 mind the note of caution to which my friend referred.  
29 I intend only to deal with what I thought might be  
30 fairly described as matters of broad principle in





1  
2 respect of which Dr. Britnell, with all his experience  
3 in transportation matters, may be of some assistance  
4 to us.

5 MR. CARTER: That raises another question  
6 again. We have called Dr. Britnell as a witness  
7 on behalf of the province of Saskatchewan. The  
8 evidence he has given in the submission of the province  
9 is just that, it is the submission of the province.

10 THE CHAIRMAN: We will make more headway  
11 if we carry on.

12 MR. CARTER: I think it would not be  
13 proper merely to seek to bring out personal opinions  
14 to any marked extent beyond what is stated in the  
15 submission of the province.

16 MR. SINCLAIR: Well, Mr. Chairman, the  
17 man in the box is a very distinguished farmer who  
18 has been very successful in the year 1960, and I  
19 certainly hope to get that on the record.

20 MR. CUMMING: And, of course, Mr. Chairman,  
21 if these questions I have in mind to ask are matters  
22 with respect to which Dr. Britnell doesn't feel he  
23 wants to express any opinion, well, I will immediately  
24 pass on, or perhaps they will be matters on which the  
25 province of Saskatchewan will, in the light of the  
26 concluding paragraph, give the benefit of their  
27 views at a later stage.

28 Q. As I understand this proposal,  
29 it is founded on the premise which is expressed in  
30 paragraph 71, that the view of the government of







1  
2 Saskatchewan is that the preservation of the railway  
3 system of Canada is an essential in every respect,  
4 and that seems to be quite clear. Would it be fair  
5 to assume as well that as perhaps a second leg of  
6 the foundation of this proposal the preservation of  
7 the railway system is dependent upon maintaining  
8 financially sound railways?

9 A. Yes. I think we have said that  
10 in several places.

11 Q. Now, when you suggest that because  
12 of difficulties of solving problems through revisions  
13 of one sort or another in the rate structure there  
14 be substituted a national transportation subsidy,  
15 have you given any consideration to the level of  
16 that subsidy? What I have in mind is this: are  
17 we simply to take the status quo of railway rates  
18 as they are today and then, through the medium of  
19 a national transportation subsidy such as you propose,  
20 subsidize the future revenue requirements of the  
21 railroads which may be essential to them in order  
22 that they can carry out their task?

23 A. Well, there are two parts I would  
24 like to make to my answer. The first is -- and I  
25 think perhaps the arrangement of Part III will make  
26 it clear -- that Saskatchewan has looked or tried  
27 to look at every possible way out of the situation  
28 and, rather reluctantly -- and I say that advisedly --  
29 has been forced back on to subsidy as the only way  
30 out. It is not that we are enamoured of subsidies by





1  
2 any means, but we just can't find any other gimmick  
3 that might produce the happy condition where we  
4 could relieve the intolerable burden on the western  
5 provinces and also ensure the financial solvency --  
6 I put that too strongly -- the continued efficiency  
7 of the Canadian railway system.

8 Now, on the second part of your question,  
9 Mr. Cumming, one thing we are most anxious to avoid  
10 is that under any subsidy arrangement, as we say in  
11 the very last sentence on page 25 of paragraph 73,  
12 "It (that is such subsidy) should not be of a nature  
13 that would simply result in the Federal Treasury  
14 underwriting railway revenue deficits." Now, I  
15 don't know how far -- and I proceed with some  
16 embarrassment -- I am speaking for myself and how  
17 far for the government of Saskatchewan in this.

18 Q. Mr. Carter will protect you, Dr.  
19 Britnell.

20 A. But I think that any federal  
21 government -- and I believe this bears directly on  
22 the last part of Mr. Cumming's question -- should not  
23 be put into the intolerable position of having  
24 one of its agencies in the position in effect of  
25 being able to write a blank cheque on the treasury  
26 for X dollars because a railway system says it  
27 requires that. So any subsidy device has got  
28 to protect the federal treasury against a highly  
29 fluctuating level or a highly fluctuating subsidy.  
30 I am putting that rather badly -- a subsidy that







1 could go up and down like a switchback railway, and  
2 presumably most of the time go up.

3 THE CHAIRMAN: Well, what should be "x"?  
4

5 THE WITNESS: I really haven't any idea  
6 what "x" should be in terms of railways.

7 Now, I think, if I might go a little out  
8 on that as an extension of the question, that so  
9 far as the relief of the prairie provinces is concerned,  
10 some form or adaptation of the Maritime Freight Rates  
11 Act, a Western Freight Rates Act, shall we say, would  
12 satisfy the west in terms -- I can't speak for  
13 Mr. Frawley's or Mr. Mauro's problems ---

14 THE CHAIRMAN: Could you put a dollar mark  
15 on it?

16 THE WITNESS: No. We had hoped that the  
17 Commission, with all its resources and the agencies  
18 which are associated with the federal government, would  
19 arrive at that. Perhaps you would not think we should  
20 have as much as the Maritimes. We would be a little  
21 loath to settle for less in view of what I have  
22 reviewed for the last few days; but we would be  
23 prepared to consider the percentages in the Maritime  
24 Freight Rates Act as applicable to western Canada;  
25 and, of course, if that were so, the railways would  
26 profit by the enhanced or the increased volume of  
27 traffic which could be expected.  
28  
29  
30







1  
2 Q. Now that you have mentioned, Dr.  
3 Britnell -- and I will come back to this general question  
4 of your transportation subsidy in a few moments -- and  
5 now that you have put it in terms of a western-maritime  
6 freight rates act, do you envisage the mechanics of it  
7 as operating in the same way as the present Maritime  
8 Freights Rates Act?

9 A. As far as we are concerned, I think we  
10 would wish some changes in that I think it should involve  
11 or should cover all traffic moving into and out of the  
12 western area with the exception, of course, of that  
13 traffic which is already moving at statutory rates,  
14 together with movements of traffic inside of the area --  
15 with that qualification.

16 Q. With the exception of statutory rates,  
17 would it apply to all types of rates, inbound, outbound  
18 and within?

19 A. Presumably it would not apply to  
20 agreed charges, although I am getting beyond my depth  
21 here. I am not a freight rates expert, but I can't  
22 conceive of it applying to agreed charges.

23 Q. Would you limit it to the railways or,  
24 would you, as the Maritimes Transportation Commission  
25 has suggested recently, say that it be extended to  
26 other carriers?

27 A. I don't think the other carriers should  
28 get in automatically. I think a first condition of  
29 their being considered -- and I would not be prepared  
30 to go further than that -- a first condition of their





1  
2 being considered eligible would be the setting up of  
3 this central regulatory body which we have described,  
4 and the truckers coming in and complying with the  
5 rules and regulations there.

6 Q. Is the western-maritime freight rates  
7 act which you have suggested the national transportation  
8 subsidy that you envisage, or is this just a measure  
9 for the relief of the transportation picture in western  
10 Canada?

11 A. Of course, it is essentially a measure  
12 of relief for western Canada. We would hope that as  
13 a result, as we stated, that it would have the effect  
14 of encouraging commerce and of bringing some prosperity  
15 to the rails by the increased flow of traffic from  
16 east to west and west to east.

17 Q. But I take it that the western-maritime  
18 freight rates act, since we have styled this new  
19 statute that way ---

20 A. I am encouraged that you refer to it  
21 that way.

22 Q. Is not the complete answer to the  
23 transportation problem, and to the extent that falls short  
24 we are still going to have to have, in the light of your  
25 submission, a national transportation subsidy to take  
26 up the slack elsewhere; is that right?

27 A. I don't think I said that anywhere. I  
28 don't think we go any further than the suggestion of  
29 a subsidy, and this is what we had in mind by the  
30 subsidy. Now, it is quite possible that the railways







1  
2 may require in the judgment of the Commission, after  
3 all the evidence is in -- and we, of course, have seen  
4 practically nothing of anything from the railways as  
5 yet except the volumes on Crow -- but after all the  
6 evidence is in it is quite conceivable the Commission  
7 may feel that some special assistance has to be provided  
8 to the railways even over and above the stimulus to  
9 their traffic which may result from a western freight  
10 rates act.

11  
12 Q. I am sorry, I understood -- and I  
13 may have misapprehended your answer -- I understood  
14 that in answer to an earlier question of mine you  
15 indicated this western-maritime freight rates act  
16 would be the relief that western Canada needs?

17 A. Yes.

18 Q. But we are concerned with the broad  
19 national picture, and I just wanted to be clear: do  
20 you feel that that relief will solve the national  
21 problems or that there may be something left over?

22 A. Well, I can't tell because I haven't  
23 got enough information. I would hope that such a  
24 subsidy would go some distance, at least, towards  
25 meeting some of the problems of the railways, but I am  
26 not precluding the possibility that they may need more  
27 than that.

28 Q. I appreciate that you suggest in the  
29 last sentence of paragraph 73 that this subsidy should  
30 not simply result in the federal treasury underwriting





1  
2 railway deficits. What have you in mind in connection  
3 with the subsidy to secure that there will be incentives  
4 or inducements to the railways to effect economies in  
5 their operations?

6 A. Well, simply this, that with the estab-  
7 lishment of a western freight rates act I would not  
8 hold back for one minute from the present structure of  
9 applications for increases. That is, I would take  
10 it as axiomatic that we must preserve the present  
11 machinery of application for rate increases because  
12 any other device simply means building a syphon into  
13 the federal treasury which can be turned on or off  
14 as requirements arise, but, as we say at the very top  
15 of the page, Mr. Cumming, or at the bottom of page 24,  
16 "It should mitigate to a degree the divisive effect  
17 of great distances by absorbing a portion of the trans-  
18 portation cost and blunt, to some extent at least, the  
19 sharp edge of any future general increases." That is  
20 the horizontal increase method by which -- and I am  
21 embarrassed, as I don't like to say it -- which we  
22 dislike so cordially but from which we can see no  
23 escape is likely to continue, but at least it will be  
24 blunted in that 20 per cent or 30 per cent of it will  
25 be held down by the freight rates act.

26 Q. Some sort of subvention?

27 A. Yes.

28 Q. But do you feel that with the institution  
29 of this sort of subvention scheme that you have been  
30 describing in general outline and retention of the







1  
2 requirement that the railways must go to the Board for  
3 general revenue increases, that that alone will retain  
4 incentive for the railways to effect economies in their  
5 operation?

6 A. I would not like to say. I am not  
7 certain that that is the case, but I would think that  
8 with the Board sitting there, if the Board is, as I  
9 assume it to be, vigilant in the public service, that  
10 they would be required to prove -- they, the railways,  
11 would be required to prove their requirements before a  
12 freight rate increase could be saddled upon us.

13 Q. Would proving their requirements entail  
14 also proving that they had, as nearly as may be achieved,  
15 effected all the reasonable economies that might be  
16 within their reach?

17 A. Oh, yes, I would think so.

18 Q. Right down to details of operating  
19 matters, equipment, expenditure, and all that sort of  
20 thing?

21 A. From what little I know of the rate  
22 cases over the last fifteen years there has been a con-  
23 siderable examination of railway accounts from time to  
24 time. Mr. Sinclair would know more about that than I  
25 do, but I think that is true.

26 Q. I think Mr. Sinclair would go along with  
27 the last part of your statement, anyway. Would this  
28 put the onus on the railways, in seeking a rate increase  
29 -- a general rate increase -- to satisfy the Board that,  
30 for instance, they had pursued an abandonment policy







1  
2 with all possible vigour?

3 A. Well, of course, an abandonment policy  
4 raises a great many other problems as we have touched  
5 upon here. An abandonment policy of great vigour  
6 might result in very heavy losses to other individuals  
7 and concerns across Canada that would be greater than  
8 the loss sustained by the railways. However, in that  
9 matter I would be prepared to leave it to the Board  
10 of Commissioners as to whether they were satisfied  
11 that the railways had not been too slack in coming  
12 forward with the proposals for abandonment. I don't  
13 think it has ever been suggested they have been.

14 Q. Where does the question of the railways'  
15 other income come in, if it does come in, in your  
16 suggestion of a national transport authority?

17 A. Under the very firm directive in the  
18 letter from the Secretary of this Commission we felt  
19 that was an area which we were precluded from examining.  
20 Neither have we been able to extract from the railways  
21 the information which we might use as a basis for  
22 examination. So, we have nothing to say about the  
23 question of other income at this time.

24 Q. Not even in relation to a national  
25 transportation subsidy payable to a corporation like  
26 Canadian Pacific?

27 A. No. We would have to examine that  
28 after we had the information.

29 Q. Even on a general question of principle,  
30 apart from knowing the details of whether this other





1  
2 income is good or bad -- is your position still the same?

3 A. Our position tentatively, until we get  
4 further information, is that we would be prepared to  
5 go along with the present position of other income. I  
6 would like to reserve the right to change our opinion  
7 on that point if and when we get the information.

8 Q. Would it be fair to ask whether the  
9 basis of a change, in your view, would depend on the  
10 dollars and cents picture?

11 A. No, not necessarily.

12 Q. What sort of principles, or what sort  
13 of matters of principle might lead you to change your  
14 view?

15 A. I have no idea because we have not  
16 looked at it. We thought we would get the information  
17 first and then have a look at it.

18 Q. Do you envisage any possibility of the  
19 sort of subsidy that you are suggesting being self-  
20 liquidating, or is it inevitably a continuing thing?

21 A. I can't imagine that it would be self-  
22 liquidating, although there is always that hope. It  
23 has not been in the case of the maritimes, and I think  
24 we have suffered almost as grievously.

25 Q. Unless other carriers were to get the  
26 benefit of the western-maritime freight rates act, do  
27 you fear any adverse impact on competitive transportation  
28 services in western Canada?

29 A. I am sorry, I didn't quite get that.

30 Q. Unless the other carriers -- the trucks,







1  
2 particularly -- come within the ambit of the western-  
3 maritime freight rates act you suggested, do you  
4 anticipate that there would be any adverse effect on  
5 competition in transportation services?

6 A. Well, I am afraid we haven't given  
7 enough consideration to this matter to take up any firm  
8 position, but I would say we do not start out with  
9 any prejudice at all against the truckers coming under  
10 the scheme once they are under the regulatory authority.  
11 We realize that the actual technique of working out  
12 to what type of truck traffic it should apply would be  
13 a fairly tall order for the regulatory authority and  
14 for the Board.

15 Q. In any event the extension of this  
16 to truckers, other carriers, would, as I understand  
17 your evidence earlier, be contingent upon the establish-  
18 ment of a national transportation authority and the  
19 inclusion of at least interprovincial trucking under  
20 the umbrella of its regulation?

21 A. Yes.

22 Q. The Chairman asked you if you had any  
23 idea what the dollar amount that is involved would be,  
24 and I think I can perhaps appreciate your hesitation in  
25 trying to estimate it. It would undoubtedly be a  
26 substantial figure?

27 A. Yes.

28 Q. I notice from the Canadian National's  
29 brief which has been recently filed -- perhaps my friend  
30 is fussed about the marking "Confidential", and I





1  
2 certainly don't intend to read it. All I intend to  
3 do is read a list of the subsidies which Canadian  
4 National is now paid and I happened to find it here.  
5 Does Mr. McDonald have any objection.

6 MR. McDONALD: None at all.

7 MR. CUMMING: Q. Canadian National, as I  
8 understand it, Dr. Britnell, now receives reimbursement  
9 from the Canadian Government under these subsidy arrange-  
10 ments: the Freight Rates Reduction Act, which all told is  
11 in the order of \$20 million -- that is between the two  
12 railways. The Maritime Freight Rates Act which comes  
13 to a total of about \$13 million. The bridge subsidy  
14 for which something of the order of \$7 million is  
15 now paid. There is a total of, roughly, \$40 million.  
16 There are four others listed, and I am not sure what  
17 they amount to. They are listed as the North Sydney-  
18 Port au Basque Gulf Service; the North Sydney Island  
19 Port Service; the Prince Edward Island Car Ferry  
20 Service, and the Newfoundland Coastal Service. Then  
21 there are federal payments made at least in respect of  
22 transportation serviced, coal subventions, and under the  
23 Feed Grain Assistance Act, and we have a submission  
24 before this Commission from the railways respecting the  
25 movement of grain to export positions, which may be  
26 described as a cost of the order of about \$70 million.  
27 Without getting any figures on these last four sub-  
28 sidies in the C.N.R. brief, there is \$110 million.  
29 Perhaps Mr. McDonald could give us the figure of the  
30 deficit of Canadian National from the annual report?







1  
2 MR. McDONALD: I haven't it with me at the  
3 moment. It is in the last annual report.

4 MR. CUMMING: Well, I am not trying to be  
5 precise: would \$50 million be on the high side?

6 MR. McDONALD: It is closer to \$40 million.

7 MR. CUMMING: Q. All right, there is a total  
8 of \$150 million a year from the national treasury in  
9 respect of railway transportation service. The  
10 bill having got that high to the people of Canada, may  
11 I ask you this, Dr. Britnell -- and perhaps you might  
12 want overnight to think about it -- have you considered  
13 whether or not it would be preferable to nationalize  
14 the railway rather than just to keep on adding to these  
15 bills?

16 MR. CARTER: Would you like that list of  
17 subsidies before you answer that?

18 THE WITNESS: I think, in view of the mag-  
19 nitude of that question, I should prefer to sleep on  
20 it.

21 THE CHAIRMAN: Very well, then, we will  
22 adjourn until ten o'clock tomorrow morning.

23 MR. SINCLAIR: Mr. Chairman, we have not  
24 got the Manitoba brief yet; we have not got these  
25 submissions. There are seven chapters or submissions  
26 from Alberta, and my friend Mr. Mauro has a half interest  
27 in two of them.

28 THE CHAIRMAN: I thought you were talking  
29 about Manitoba.

30 MR. SINCLAIR: But he has a half interest







1  
2 in two of these which we haven't seen, and we got  
3 Chapter II of his submission which I have just taken a  
4 short look at which, as I have said before, was outlined,  
5 but we don't know what the half interest in these two  
6 that are in the joint situation of the provinces is,  
7 and the briefs are interrelated. I can say that as  
8 far as I have only had a few minutes with them, it does  
9 seem to me they are interrelated.

10 MR. MAURO: The Manitoba submission that you  
11 have before you now is the complete text of the proposals  
12 laid before this Commission, I think somewhat fully, by  
13 Premier Roblin in February. My learned friend is  
14 correct, and the Commission knows that I have a half  
15 interest with my learned friend Mr. Frawley in Mr.  
16 Robert Banks who is to submit cost evidence. There is  
17 no relationship between that, however, and the evidence  
18 which Mr. Stechisin will be submitting. In addition,  
19 so that the Commission sees my position, there is  
20 another brief to be presented by Dr. Ernest Williams  
21 of Columbia on general problems, but it is not related  
22 to Mr. Stechisin's submission at all.

23 THE CHAIRMAN: Mr. Mauro, our procedure  
24 will be to clean up Dr. Britnell, Mr. Fairley and then  
25 Mr. Stechisin.

26 MR. SINCLAIR: All I can say is, I must  
27 formally object to the Commission receiving submissions  
28 on behalf of the Province of Manitoba until their entire  
29 submission is in, in accordance with the rulings made  
30 by the Commission last June, and I ask for a ruling on





1  
2 that objection, and this would go also for Mr. Frawley.

3 MR. FRAWLEY: Oh, no; I haven't been called  
4 at all yet. I explained my position the other day.

5 THE CHAIRMAN: We will adjourn until  
6 ten o'clock tomorrow morning.

7  
8 ---Adjournment.  
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**ROYAL COMMISSION**

**ON**

**TRANSPORTATION**

**HEARINGS**

**HELD AT**

**OTTAWA**

**VOLUME No.:**

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E R R A T A

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Page 15418	Line 19	Insert "to" between "attaching" and "the"
15419	6	Change "freight ton" to read "gross ton"
15422	4	Change "Lewisburg to read "Louisburg"
15424	12	Change "can be done that" to "can be done to"
15425	2	Insert "time in" between "of" and "Europe"
	17	Insert "there" between "industry" and "is"

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Trans-  
port Commissioners Offices,  
Ottawa, Ontario, on the 20th day  
of September, 1960.

COMMISSION

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Mr. A. M. Balch	Member
Mr. R. Gobeil	Member
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Mr. H. W. Ellicott	Adviser
Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary





Ottawa, Ontario,  
Tuesday,  
September 20, 1960.

---On resuming at 10.00 a.m.

---Commissioners Gobeil and Mann not present.

- - - - -

THE CHAIRMAN: Order, please.

MR. CARTER: In the course of Dr. Britnell's evidence yesterday, sir, having to do with the proposed scheme of regulation covering all transport media, Mr. Commissioner Mann raised the question of the contract carriers. I said at that time, sir, that we would give this some consideration overnight and I find there is something which we feel we can probably add having to do with that matter. I have spoken to my learned friend Mr. Cumming about that, and he has been good enough to agree that I can interrupt at this point and go over this with Dr. Britnell.

GEORGE E. BRITNELL, recalled

FURTHER DIRECT EXAMINATION BY MR. CARTER:

Q. In the course of giving your evidence yesterday, Mr. Commissioner Mann asked in effect whether the Government of Saskatchewan had given any consideration to the position of the contract carriers under its proposed system by which interprovincial trucking, together with other transportation media, would be controlled.







1  
2 Have you, sir, anything to add on that point  
3 to what you gave yesterday in your evidence?

4 A. Saskatchewan has not given any par-  
5 ticular consideration to the position of the contract  
6 hauler under the system of regulatory control which  
7 the province suggests. From the other conclusion,  
8 however, which the government arrived at in this  
9 area I think it is possible to see where this type of  
10 carrier would fit in under the proposed system.

11 Q. Could you, then, sir, please elaborate  
12 on that?

13 A. To begin with, a contract hauler could  
14 not be permitted to operate independently under the  
15 regulatory system. He would have to secure an  
16 operating authority and in so doing he would be subject  
17 to the right of the federal authority to control entry.

18 Q. Would the contract carrier have to  
19 satisfy the same requirements as the public carrier in  
20 order to secure entry?

21 A. Probably not. Having in mind the type  
22 of operation which such a hauler would propose to  
23 undertake the particular criteria to be applied might  
24 very well differ from those by which the entry of  
25 public carriers would be controlled.

26 Thus, if public necessity and convenience was  
27 the criterion ordinarily applied to the entry of public  
28 carriers, it would seem likely that this particular  
29 requirement would apply with at least less rigour to  
30 the contract hauler.





1  
2 Q. Apart, then, from a possible relaxation  
3 in control of entry would all the other requirements  
4 of the federal authority apply to the contract hauler?

5 A. There are perhaps other areas where the  
6 requirements which Saskatchewan has suggested as forming  
7 a part of the machinery of federal control would not  
8 apply quite so stringently. Thus, it would seem only  
9 sensible that a contract carrier should not be required  
10 to observe the minimum requirements for cargo insurance  
11 which public carriers might have to meet. Presumably,  
12 the safety of the cargo would be something to be worked  
13 out and provided for between the contract carrier  
14 and the shipper he agreed to carry for.

15 Q. Would the federal authority exercise  
16 any authority over rates?

17 A. It seems likely that the federal authority  
18 would have to exercise some control in this area. Pre-  
19 sumably, such a carrier would have to file his rates  
20 with the authority, but probably he would not be re-  
21 quired to publish them.

22 Further, it would seem essential that the  
23 federal authority should have power to fix minimum  
24 rates at a compensatory level below which the contract  
25 carrier could not go. On the other hand, it would  
26 seem that maximum rates would not have to be set.  
27 The fixing of the particular rate which the hauler  
28 would charge would then be a matter for negotiation  
29 between the hauler and the particular shipper involved;  
30 the only restriction being that the rate agreed upon





1  
2 must be compensatory.

3 MR. CARTER: This is all, sir, of the further  
4 evidence which I wished to get out on that point.  
5 Thank you, Mr. Cumming, for letting me interfere. I  
6 believe, sir, Mr. Cumming will now be bringing Dr. Britnell  
7 back to the last question just before we adjourned.

8 THE CHAIRMAN: Before he does, yesterday  
9 afternoon Mr. Sinclair made an objection, and the Commis-  
10 sion has ruled that we will not adjourn Mr. Stechisin  
11 but you will have the right to stand him down.

12 MR. SINCLAIR: One thought occurs to me, sir,  
13 in the light of the ruling of the Commission and in view  
14 of the situation in which we find ourselves, and that is  
15 notwithstanding the fact that we thought we were to re-  
16 ceive certain material on specified dates we now do not  
17 know when we are going to receive it. And, as a  
18 suggestion to the Commission, if they -- and obviously  
19 they have decided to be lenient with the delinquents  
20 and transgressors -- I don't know how long this leniency  
21 is going to continue, or ---

22 THE CHAIRMAN: Well, that worries us, too.  
23 We are very annoyed, and when counsel come from the  
24 provinces we will ask them when we may expect Mr.  
25 Williams to foreclose his evidence.

26 MR. SINCLAIR: And also Mr. Banks. Thank  
27 you, sir.







CROSS-EXAMINATION BY MR. CUMMING (Cont'd):

THE WITNESS: Mr. Chairman, I should like to analyse one or two of the assumptions in answering Mr. Cumming's question.

Q. I am afraid there was a page of them. It seems to be a habit ---

A. I worked my way through ---

Q. I may say you will agree the question itself is short?

A. Yes, the question itself, once we get through to it, is quite short and pungent.

The first group of subsidies to which you refer, Mr. Cumming, was -- I think we can take them as a group -- the Freight Rates Reduction Act, the Maritime Freight Rates Act, and the Bridge Subsidy, amounting to a total of about \$40 million.

Now, under this \$40 million, it is quite obvious that the private railway -- I have no exact figures -- does not get probably more than one-half in view of the rather entrenched position of the C.N.R. in the maritimes, so that ---

MR. SINCLAIR: So that there will be no doubt in your mind, we get about \$1 million out of the \$13 million.

THE WITNESS: Well, I was referring to the \$40 million. That certainly brings the whole total of \$40 million down to less than one-half which the C.N.R. gets from the three subsidies.

MR. SINCLAIR: And if I may say so, the word





1  
2 "gets" ---

3 THE WITNESS: Obtains; is granted?

4 MR. SINCLAIR: To give to someone else.

5 THE WITNESS: Yes. I rather think that Mr.  
6 Sinclair has a point there, reluctant as I am to concede  
7 it, that these are national transportation subsidies  
8 rather than perhaps subsidies to the railways, but I do  
9 not want to get into quibbling about that.

10 MR. SINCLAIR: That is not quibbling; that  
11 is factual.

12 THE WITNESS: I will pass over those four  
13 services to which you attach no price tags, Mr. Cumming,  
14 and perhaps there might be considerable argument as to  
15 whether they are transportation subsidies that affect  
16 the C.P.R. very closely.

17 The next two --the coal subvention, it seems  
18 to me is definitely not a matter of transportation or  
19 railway subsidy, but a matter of Dominion coal policy.  
20 The same applies with equal cogency, I think, to the  
21 federal Grain Assistance Act which reflects government  
22 agricultural policy.

23 Coming then to the next item to which you  
24 have attached a price tag, the \$70 million respecting  
25 the movement of grain to export positions requested by  
26 the railways, I was not aware that we really could take  
27 that into consideration because I did not know that there  
28 was any, or I assume there is no finding yet by the  
29 Commission that the railways are to get this \$70 million.

30 Q. The question in that respect was to some







1  
2 extent hypothetical?

3 A. Yes, yes. That is just exactly what I was  
4 going to say.

5 Finally, with respect to the C.N.R. deficit,  
6 the final item, this deficit is, I think, in substantial  
7 measure a result of the nationalization of private  
8 railways. In fact, one might call them railway white  
9 elephants, and I do not see how the deficits on the  
10 operation of the C.N.R. could possibly be adduced at  
11 any time as support for the argument of nationalizing  
12 the C.P.R.

13 Thus, it seems to me that the \$150 millions  
14 in the final question is reduced to about \$20 millions,  
15 or about one-half of the first three subsidies which  
16 would be payable to the C.P.R.

17 Now, Mr. Chairman, I would not go so far as  
18 to say what is \$20 million.

19 Q. You would not even say what is a million?

20 A. No, I would not even say that, but it is  
21 not an overwhelming part of the national budget of  
22 around \$5 billion. In fact, compared relatively with  
23 most of the supports to railways ever since Confederation  
24 it is by no means a small item.

25 It may not be a bagatelle, but it is by no  
26 means a large item, rather.

27 Also, I might say if the C.P.R. is, and heaven  
28 forbid, on the way to becoming a railway white elephant  
29 along with the other railways that were nationalized,  
30 then I personally would not want any part of nationalizing





1  
2 it. I would not want to do that at all. So that it  
3 seems to me, sir, the \$20 million to which I think I have,  
4 in fairness, reduced this \$150 million in terms of an  
5 actual example does not create a very valid argument  
6 for nationalizing the C.P.R.

7 Now, these are my own opinions, of course,  
8 quite clearly. The Government of Saskatchewan has  
9 not considered the question of nationalizing the C.P.R.  
10 and is not putting that forward as a recommendation.

11 THE CHAIRMAN: How important is the feed grain  
12 assistance subsidy to Saskatchewan?

13 THE WITNESS: I suppose that is a matter, sir,  
14 of opinion. I do not regard it as of first class  
15 significance at all in terms of the western producer.  
16 In fact, it may actually result in subsidizing the  
17 production of livestock in eastern Canada that might --  
18 and I think you can make out a case for that -- be pro-  
19 duced in western Canada, if it were not for the subsidy.

20 MR. CUMMING: Q. Now, just dealing with  
21 the subsidy proposal of yours a little bit more, if I may,  
22 Dr. Britnell. It would, I take it, apply to the whole  
23 of the western region; that is, to the prairie provinces  
24 and to British Columbia?

25 A. Yes. I would like to correct the first  
26 part of my statement where I referred to the prairies. I  
27 meant to be inclusive. I would include the ultra  
28 mountain friends, if they would allow us to include them  
29 at all, and I would add Mr. Brazier to the counsel for  
30 which I could not therefore obviously speak, but I would







1  
2 hope it would be western, and I think that is the  
3 term we used except at the very beginning.

4 Q. Have you in your mind about this a subsidy  
5 as a measure of regional relief or do you think that  
6 subsidy payments should be related to the transportation  
7 work done?

8 A. I am afraid I do not quite get the  
9 distinction, Mr. Cumming.

10 Q. Well, now, should it be tied, say, for  
11 example, to specific movements or types of movements  
12 or specific commodities or general classes of com-  
13 modities -- something of that sort; or do you envisage  
14 it as something much broader; something which might be  
15 described as a regional relief?

16 A. I would think it would come in the first  
17 category, which is most closely analogous to the  
18 Maritime Freight Rates Act as I understand it.

19 THE CHAIRMAN: This proposal was made to the  
20 Turgeon Commission, too?

21 THE WITNESS: Yes, we are consistent in  
22 that respect, at least. And I would look upon it, Mr.  
23 Cumming, if I may just make one further point, as  
24 compensation for the effect of national policy upon  
25 the western economy. And, again, I would look upon  
26 it and describe it perhaps as a transportation subsidy,  
27 but not of necessity a subsidy in that respect to the  
28 railways themselves. It would be a transportation  
29 subsidy to relieve the west of some of the burdens of  
30 national policy.







1  
2 MR. CUMMING: Q. Would that emphasis  
3 in the subsidy remove any objection there might other-  
4 wise be to the payment of a subsidy to a company which  
5 is earning a profit, however inadequate that company  
6 thinks its profit may be?

7 A. Well, yes, I think so, because it would  
8 be merely paying part of the freight bill which that  
9 company would otherwise collect one hundred per cent  
10 rather than, say, seventy per cent or eighty per cent  
11 from the shipper.

12 Q. I see. I am going to pass to some-  
13 thing else, if I may, Dr. Britnell, unless the  
14 Commissioners have anything ---

15 THE CHAIRMAN: Go ahead.

16 MR. CUMMING: Q. On page 20, paragraph 57 --

17 A. Which part is this?

18 Q. I am still in this same part.

19 A. Part III of our main submission?

20 Q. Yes, Part III. Page 20, paragraph 57,  
21 and in the following paragraphs you outline your proposal  
22 for a Canadian transportation authority and included,  
23 as I understand your proposal here, will be all forms  
24 of transportation, railways, ships, aircraft, motor  
25 trucks and pipelines?

26 A. Eventually.

27 Q. Eventually pipelines?

28 A. Yes.

29 Q. This is consistent with your views, at  
30 least with the Turgeon Commission's recommendation for





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a general coordination?

A. Yes.

Q. Pipelines were at one time under the jurisdiction of the Board of Transport Commissioners?

A. Yes.

Q. And to that extent I suppose there was an element of coordination?

A. Yes.

Q. And then there was a retreat from that position?

A. There was a retreat from that position.

Q. As a result, I understand, of a Royal Commission recommendation?

A. Yes, I believe that is so, sir.







1  
2 Q. But you envisage the day in the future  
3 when that what apparently would be described as a  
4 backward step will be rectified?

5 A. Yes.

6 Q. And that we will have a broad and  
7 widely operating transportation policy?

8 A. Yes.

9 Q. On page 12, going backwards again,  
10 Dr. Britnell, and actually picking it up from the  
11 last line on page 11, you deal with the one and one-  
12 third rule. You say: "In other words, the application  
13 of this rule," speaking of the one and one-third rule,  
14 "would produce the same vicious circle as is to be  
15 found in any alternative to the horizontal increase  
16 principle within the rate structure."

17 And you discuss it further in paragraph  
18 30. Just so that we may have before us quite clearly  
19 the views of the province of Saskatchewan on the matter,  
20 is it your suggestion that the one and one-third rule  
21 should be repealed?

22 A. No, no.

23 Q. Although, as I take it, you don't  
24 feel that it does much good?

25 A. No. We are ready to perhaps assume  
26 that it does some good but -- I should make our position  
27 clear there. Saskatchewan is not arguing that the  
28 problem of the long and the short haul does not  
29 exist and that something should not be done about it;  
30 but in the light of the experience of the last ten





1  
2 years we don't see how any effective measure of  
3 relief can be secured through the one and one-third  
4 rule.

5 THE CHAIRMAN: It is not a remedy.

6 THE WITNESS: That's it. It may be just  
7 an aspirin.

8 MR. CUMMING. Q: It is, generally  
9 speaking, a lame duck, but it is not quite dead; would  
10 that be the position?

11 A. Yes.

12 Q. And Saskatchewan is not prepared to  
13 administer the coup de grace?

14 A. No.

15 Q. Earlier in this part of the submission  
16 on pages 3 and 4 you discussed the cost of service  
17 and value of service theories of rate-making, Dr.  
18 Britnell, and in paragraph 6 you say this:

19 "There has been a great deal of  
20 discussion recently concerning the principle  
21 of cost of service without reference to  
22 rate-making. Much of this discussion  
23 appears to assume that if the trucking  
24 industry diligently pursues the cost of  
25 service principle a railway rate structure  
26 based on value of service must ultimately  
27 break down."

28 Now, Doctor, as I understand the evidence  
29 which you were giving yesterday in connection with  
30 your proposal about the regulation of the trucking







1  
2 industry, one of the important aspects of that was  
3 that within certain limits, anyway, competition  
4 in the transportation field be given free play?

5 A. Yes.

6 Q. Don't you think, Doctor, that with  
7 the continued operation of competition in the  
8 transportation field almost inevitably transportation  
9 rates on all agencies will come to a cost-oriented  
10 base, if I may put it that way.

11 A. I don't think I go quite as far as  
12 that. I think they will, and I think we have said  
13 they will come closer to it. That is, there will  
14 not be a large area between the cost of a service  
15 and what the traffic will bear, the demand side.  
16 It will be quite a long time, it seems to me, before  
17 you get down to the point you have just described.

18 Q. But through this medium do you  
19 feel we can achieve the optimum resource allocation  
20 of facilities?

21 A. Through cost of service?

22 Q. Yes?

23 A. No, I don't, at least for the present.  
24 We cannot see quite how that would happen.

25 Q. But you do feel that it will happen  
26 through the normal play of competitive forces?

27 A. Yes.

28 Q. And to the extent that there is a  
29 difference between cost of service and the normal  
30 operation of competition, there is the measure of







1  
2 the amount by which we might fall short, if I may  
3 put it that way, of optimum resource allocation?

4 A. Yes, I think so.

5 Q. Now, I am working backwards through  
6 this; having started that way perhaps I had better  
7 stay that way. Going into the Saskatchewan submission,  
8 Part II, on page 28, in paragraph 73 you have this  
9 to say:

10 "Adaptations of national transportation  
11 policy to present day requirements must not  
12 overlook changes in the pattern of traffic  
13 and of the rate structure. It must  
14 accommodate and foster changes which show  
15 promise of contributing to the fullest  
16 development and integration of the Canadian  
17 economy. At the same time it must have  
18 due regard for a legitimate sectional  
19 interest and for the balance of burdens  
20 and benefits with the fullest respect for  
21 the demands of regional equity."

22 Can you see that desirable objective being  
23 obtained through the normal operation of what I might  
24 call the market mechanism, or do you think it is  
25 obtainable only in a fully regulated transportation  
26 system?

27 A. I am not sure how fully regulated.  
28 I would certainly like to see all the other agencies  
29 eventually brought in and put on the same basis  
30 as the railways; and certainly, in view of the





1  
2 creation of the railways as instruments of national  
3 policy and of the building of highways as part of  
4 same, I don't think this is one area that it is  
5 feasible to leave to the full play of market or price  
6 forces.

7 Q. And, in fact, I think it would be  
8 fair to say, Doctor, that the general sort of  
9 regulation that you contemplate for inter-provincial  
10 trucking as you described to us yesterday is pretty  
11 extensive?

12 A. Yes.

13 Q. And detailed?

14 A. Yes.

15 Q. Do you think there is any danger  
16 of this transportation authority which you advocate  
17 being set up and charged, as it would be, with such  
18 detailed regulatory duties would become what in  
19 effect would be the arbiter of regional economic  
20 destinies?

21 A. I can't imagine that.

22 Q. You don't think that by applying  
23 regulation to the extent you have suggested we are  
24 putting the country in a transportation straight  
25 jacket?

26 A. No, because I think all you are  
27 doing is providing a framework which will perhaps,  
28 for the first time, get into clear perspective the  
29 fact that the economy does not exist even for the  
30 C.P.R. or for any other segment of the transportation







1  
2 industry but that the transportation industry exists  
3 for the economy.

4 Q. Your idea, I take it, is to achieve  
5 a regulatory climate that would be the same, to the  
6 extent that it is possible, for each media of  
7 transportation?

8 A. Yes, to the extent it is possible.  
9 I am glad you put in those words, because obviously  
10 it is going to take time to work it out.

11 Q. Now, just how far will this regulatory  
12 authority have to go? Will it have to take into  
13 account, for instance, say, the amount of public  
14 funds which are spent in airline terminals and that  
15 sort of thing and compensate for the advantages that  
16 air carriers get?

17 A. In regulating trucks?

18 Q. In the whole broad picture of  
19 regulation?

20 A. Well, we have not projected it  
21 except ideally beyond the most immediate problem,  
22 which is that of trucking at present, and I would  
23 hope that a regulatory authority would move with  
24 some discretion and feel its way toward the type  
25 of regulation that should be applied or even the  
26 criteria that should be applied in the regulation  
27 of other carriers.

28 Q. In any event, this transportation  
29 authority would, over time and with the discretion  
30 you suggest, reach out into all fields of





1  
2       trasnportation?

3               A.     Yes.

4               Q.     Now, there are just one or two  
5 matters left, Doctor, which are perhaps more points  
6 of detail. On page 61 of Part I, paragraph 139,  
7 just as a matter of clarification here, You are  
8 speaking of the mineral potentialities on the part  
9 of the province of Saskatchewan and for its  
10 development, and you say, "that the Saskatchewan  
11 government has instituted a program of inducements  
12 aimed at attracting exploration and development  
13 capital". Could you give us just some idea of  
14 the sort of inducements that are involved?

15              A.     Well, the most valuable in the  
16 encouragement of exploration and development  
17 capital are the programs which add to our knowledge  
18 of rock composition and structure. Geological  
19 mapping of the Pre-Cambrian Shield has been going on  
20 for many years. In 1960, that is this spring, the  
21 Department of Mineral Resources of the Government  
22 of Saskatchewan at Regina placed eight five-man  
23 parties in the field and intends to increase this  
24 number to ten next year. Aerial surveys of large  
25 tracts have also been undertaken to measure magnetic  
26 and electromagnetic properties of rock formations  
27 which may lead to the discovery of iron, base metal  
28 sulphide, or even asbestos deposits. Surveys of  
29 this type have been temporarily stopped in favour  
30 of geological mapping and ground evaluation. Maps







1 and reports for the above are printed and made  
2 available to the public.

3  
4 Another aspect is that resident geologists  
5 of the Department of Mines at Uranium City and  
6 La Ronge provide advice and information to prospectors;  
7 industrial minerals geologists and others and also  
8 industrial minerals geologists, with headquarters  
9 at Regina, provide the same service to persons  
10 interested in sand, clay, coal, potash and the non-  
11 metallic minerals.

12 The prospectors' school which the Government  
13 of Saskatchewan has set up and the assistance plan  
14 are valuable aids in training men and easing the  
15 burden of costs when inexperience or economic  
16 conditions are factors. Descriptive publications  
17 of one sort and another are furnished.

18 Prospecting and exploration groups are  
19 able to obtain, for specified periods, depending on  
20 the work performed, large blocks of land in order  
21 to raise funds and carry out large scale operations.  
22 Such arrangements are made by special arrangement  
23 or special agreement, and so on.

24 There are a number of other smaller aids,  
25 but perhaps that gives an idea of why we say a  
26 program of inducements.

27 Q. I appreciate that; thank you,  
28 Doctor. It would appear from your general description  
29 of these inducements in the program that they are  
30 basically designed to overcome any adverse burden of







1  
2 freight rates; you are promoting the mining  
3 development in other ways?

4 A. Yes, that is correct.

5 Q. Going back to page 41, paragraph 90,  
6 you have been speaking generally about diversification  
7 in Saskatchewan's agriculture, and you go on to  
8 say:

9 "Efforts of ranchers, farmers,  
10 organized agriculture, private organizations,  
11 as well as Provincial and Federal Governments,  
12 have been directed towards improving the  
13 position of the livestock industry and  
14 encouraging its development, not only for  
15 the sake of those directly engaged in it,  
16 but also to broaden the base of the  
17 agricultural economy in the interest of  
18 the province and of Canada as a whole.  
19 A national transportation policy should  
20 be consistent with these aims."

21 Could you tell us, Dr. Britnell, just what  
22 factors specifically there should be included in a  
23 national transportation policy in order that it  
24 should be consistent with the aims described?

25 A. Yes, I think I can do that. The  
26 thing we have in mind there is that perhaps nowhere  
27 in the agricultural segment of the economy is the  
28 effect of horizontal increases so apparent in  
29 discouraging livestock production. The existence  
30 of some institution, some system, some type of





1  
2 assistance, such as the Maritime Western Freight Rates  
3 Act, would blunt the edge of the impact of freight  
4 rate increases on the livestock industry. I am  
5 thinking, for instance, that a horizontal increase  
6 when the rate is, say, a dollar -- and I should never  
7 get into quoting rates -- a dollar for Saskatchewan  
8 to move to the Toronto market and 20 cents or 25  
9 cents for the personal located fairly close and  
10 producing livestock fairly close to Toronto -- a  
11 horizontal increase may be as much or more than the  
12 total freight rate paid by the Ontario producer.

13 Q. What you are speaking about in  
14 paragraph 90 is really a matter of rate relief?

15 A. Yes.

16 Q. And that is the element of  
17 transportation policy uppermost in your mind for the  
18 assistance of agriculture generally?

19 A. Yes.

20 Q. Do you envisage national transportation  
21 policy as being a single thing for the country, or  
22 is it a combination of regional considerations?

23 A. Well, I think that the area that  
24 stands in greatest necessity of an extension, because  
25 that is what it is, of national transportation policy  
26 is the western area. The Maritimes have their form  
27 of relief from the effects of national policy. The  
28 St. Lawrence valley very definitely does not require  
29 it. So a national transportation policy is going,  
30 in the nature of things, to be concerned largely with







1  
2 correcting some of the effects of national policy in  
3 the western provinces.

4 Q. National transportation policy is  
5 not an end to itself but an instrument of national  
6 economic policy generally?

7 A. Precisely.

8 Q. Dr. Britnell, just one point of  
9 clarification, paragraph 62 on page 25. You have been  
10 speaking prior to this about the cost price squeeze  
11 which "obviously presents an extremely alarming  
12 situation for western agriculture. The American  
13 farm-price stabilization program has played a  
14 significant role in this situation." I wonder  
15 if you would be good enough to elaborate on that.  
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2 A. I think perhaps the essence of it is  
3 in the -- and I might elaborate from there -- in the  
4 last sentence in paragraph 64.

5 "In 1958-59 price support for wheat  
6 averaged about 56 cents per bushel 'to  
7 bridge the gap between domestic price  
8 levels and sales prices under the  
9 International Wheat Agreement.' Price  
10 supports are set by the United States  
11 Department of Agriculture."

12 That is, the elaborate structure of price supports  
13 maintained by the United States Government and ad-  
14 ministered by the United States Department of Agricul-  
15 ture keeps the American farm price of wheat somewhere  
16 in the neighbourhood of \$2 as against a farm price in  
17 Canada of around \$1.30 or \$1.35.

18 THE CHAIRMAN: And aggravates the situation  
19 for everybody else?

20 THE WITNESS: Precisely, because under  
21 the various give-away programmes of the American Govern-  
22 ment they have succeeded in beating the Canadian Wheat  
23 Board out of markets that were originally Canadian  
24 markets.

25 MR. CUMMING: Q. It is its impact in the  
26 world market that is contributing to this cost price  
27 squeeze?

28 A. Yes.  
29  
30





CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Dr. Britnell, would you mind looking at page 11 of Part II, paragraph 29. I just wanted to go over that first sentence with you:

"In the opinion of the Government of Saskatchewan the argument over the one and one-third rule simply illustrates the general complaint of the exposed areas, namely, that lack of competition results in an exposure to the full impact of the burden of maintaining the railway systems of Canada."

Now, may I suggest to you that it would not do any violence at all and it would probably just elaborate slightly on what you were saying if you said that lack of competition results in exposure of the non-competitive areas to the full impact of the burden of maintaining the railway systems of Canada? That is the meaning of the sentence, isn't it?

A. I think so; I can't disagree with that.

Q. Generally, your view with regard to the one and one-third rule is that having in mind the difficulties that it has encountered since it was first recommended by the first Turgeon Commission, that in your view it is not a reliable mechanism to cure the long and short haul discrimination?

A. That is it, exactly.

Q. And you say the way to cure that, the existence of which you call attention to -- and I am referring to the long and short haul discrimination -- in







1  
2 your view, the one and one-third rule is not a reliable  
3 mechanism to cure that discrimination and, therefore,  
4 you say resort must be had to the subsidy device?

5 A. Yes.

6 CROSS-EXAMINATION BY MR. BRAZIER:

7 Q. Dr. Britnell, Mr. Frawley in his very  
8 short cross-examination of you used the term "non-  
9 competitive areas": do you recall that term?

10 A. Yes.

11 Q. Would you tell me which are the non-  
12 competitive areas in Canada today?

13 A. That is probably -- and I don't want to  
14 hedge to start with -- but it is probably a pretty in-  
15 clusive term with the inroads, gradual as they are so  
16 far, of trucking in the prairie provinces. Ten years  
17 ago one could speak with very much more certainty as  
18 to what were the non-competitive areas. I suppose  
19 the term "non-competitive areas" -- which we do not  
20 use, incidentally ---

21 Q. No, I appreciate that.

22 A. That would be an exaggeration to the  
23 extent that truck competition has become effective for  
24 certain areas of traffic and for certain types of  
25 traffic and goods in the prairie provinces.

26 MR. FRAWLEY: I should say I meant no more  
27 than that -- that almost every area has some of each.

28 THE WITNESS: Yes.

29 MR. FRAWLEY: Every geographical area has some  
30 of each.





1  
2 MR. BRAZIER: Q. There is no doubt in your  
3 mind that that is so -- that there is some form of  
4 competition in every area?

5 A. Yes. It is the extent of it that is  
6 important, and the absence of it may make the statement  
7 almost true, particularly for certain large areas of  
8 traffic.

9 Q. Do you agree that the railways of Canada  
10 should be permitted to meet competition where it exists?

11 A. Yes. I don't think there is any doubt  
12 about that at all. I think it would be very unwise to  
13 try to stop that.

14 Q. There is one section of your brief which  
15 I wish to discuss with you in some detail in Part III.  
16 It is page 3, "Cost of Service versus Value of Service."  
17 I suppose that you have read the brief presented by the  
18 Government of British Columbia on this subject?

19 A. I read it at the time, yes.

20 Q. Going through your comments here: first,  
21 in paragraph 4 you say:

22 "Before discussing some of the major aspects  
23 of the railway rate structure as it now  
24 exists, it may be desirable to consider  
25 briefly whether some completely new rate  
26 structure would better serve the interests  
27 of the Canadian economy and Canadian rail-  
28 ways."

29 From your reading of the brief presented by British  
30 Columbia, did you think they were proposing a completely







1  
2 new rate structure?

3 A. I must confess that at the time it  
4 sounded a good deal like that to me.

5 Q. I suggest to you that the proposition  
6 there presented might in the meantime have very little  
7 effect on the present freight rate structure?

8 A. Yes, I quite agree, particularly -- and  
9 I was very fortunate and happy to be in Ottawa when  
10 Mr. Hughes was being cross-examined -- I must confess  
11 that by the time he was through I was a little confused  
12 as to which was cost of service and which was value of  
13 service. That is no reflection on Professor Hughes,  
14 for whom I have a good deal of admiration, but I felt  
15 the lines that I thought had been fairly clear between  
16 the two had become rather blurred and that the differ-  
17 ence between cost of service and value of service had  
18 narrowed appreciably, and, remember ---

19 Q. Well, ---

20 A. May I just add this because I think it  
21 is highly relevant: that in discussing this, we are  
22 not discussing the B.C. brand or variant of cost of  
23 service or the adaptations which they made. What we  
24 are trying to discuss is what we would consider the  
25 theoretical absolute of the cost of service.

26 Q. By that you mean that each item carried  
27 by the railways would be costed and priced accordingly  
28 to it?

29 A. Each range or group, at least.

30 Q. Now, to go on with the next paragraph.





1  
2 A. That is paragraph . . . ?

3 Q. Paragraph 5.

4 A. Yes.

5 Q. Class rates: the second sentence:

6 "Class rates may reflect the value of the  
7 goods transported rather than the value of  
8 service but the railways are free to institute  
9 rates lower than class rates reflecting the  
10 value of service principle. These lower  
11 rates carry a very large part of all  
12 railway traffic."

13 I suggest to you, Dr. Britnell, that today those lower  
14 rates carry better than 98 per cent of the traffic  
15 on Canadian railways. I think it has been suggested  
16 here -- and I don't know whether you were here at  
17 the time or not -- but about one and a half per cent  
18 of the traffic is on class rates?

19 A. No, I wasn't here at the time. The  
20 proportion does rather surprise me in the light of Mr.  
21 Knowles' evidence before the House of Commons and  
22 Senate Committees where I think he had put it lower.

23 Q. These are class rates.

24 A. Oh, class rates?

25 Q. Yes.

26 A. Yes.

27 Q. The rates you refer to here?

28 A. Yes. Well, the statement is surely  
29 correct, Mr. Brazier: these lower rates carry a very  
30 large proportion.





1  
2 Q. Yes, I wondered if you appreciated it  
3 was that much.

4 A. No, I hadn't; I would have put it some-  
5 where about 85 per cent, but I did not know it was  
6 98½ per cent.

7 Q. If it is 98 per cent-plus, being carried  
8 on the lower rate, would that indicate to your  
9 mind that possibly the class rates today are not reason-  
10 able rates -- they are unduly high?

11 A. Well, I find difficulty with both of  
12 those adjectives because I have been reared in the old-  
13 fashioned school so far as railways are concerned,  
14 namely, that they charge what the traffic will bear and  
15 get their revenues where they can, and it hurts us. I  
16 don't know any other basis upon which a railway can  
17 operate.

18 Q. Would you say, in your opinion, that the  
19 present class rates are just and reasonable rates?

20 A. Oh, I couldn't express an opinion on that.  
21 I am not a rate expert.

22 Q. Isn't it a fact that you have nothing  
23 to measure them against? If you isolate the rates by  
24 themselves, you have nothing to measure them against?

25 A. Yes.

26 Q. It becomes entirely of a subjective  
27 standard?

28 A. Oh, but you have got the value of service,  
29 and that sets your higher limit.

30 Q. I am asking you to look at class rates







1  
2 today in isolation.

3 A. Yes.

4 Q. Can you tell me how you can say whether  
5 these rates are just and reasonable or are not?

6 A. No, I can't say whether they are just  
7 and reasonable, but I have a prejudice that as long as  
8 the railways can extract them they have to be allowed  
9 to do so.

10 Q. No matter how high they are?

11 A. Well, today under almost any conditions  
12 they are going to meet some competition if they push  
13 them high enough, and as long as the Board is satisfied  
14 that they are just and reasonable, then I am not going  
15 to quarrel with it in general, although I might with  
16 respect to a particular instance.

17 Q. So, it would be your opinion that the  
18 railways should be entitled to extract from the shipper  
19 whatever they can?

20 A. I don't know whether it would be my  
21 opinion that they should be, but I think they will. and  
22 I don't know any other principle upon which the railway  
23 can operate. That is the part that bothers me.

24 Q. Your difficulty is thinking of the  
25 railways' position -- how are they going to operate  
26 under some other system?

27 A. Yes.

28 Q. Further, in the same paragraph you have  
29 made this statement:

30 "Nevertheless, the fundamental assumption





1  
2 still is that some of the traffic will yield  
3 revenues sufficient to make up the deficiency  
4 on traffic carried at total cost."

5 Let me put this question to you: do you think the rail-  
6 ways should be permitted to carry traffic at less than  
7 out-of-pocket cost?

8 A. In the normal course of events I do not  
9 think they should be allowed to do so. However, the  
10 difficulty in applying the ordinary principles of  
11 economics and commerce to railways is that railways  
12 are not ordinary business enterprises in Canada. They  
13 reflect national policy, and it may be national policy  
14 that under certain circumstances the cost of moving a  
15 particular commodity is irrelevant.

16 Q. Well, now, I think we are getting close  
17 to agreement, doctor. If that situation arises, national  
18 policy requires something to be carried at a loss, do  
19 you think that should be buried in the freight rate  
20 structure and other shippers on the railway bear the  
21 burden of that out-of-pocket cost?

22 A. As we have said, there ought to be a  
23 measure of flexibility there because the Turgeon Commis-  
24 sion pointed out there is no great complaint from shippers  
25 in the prairie provinces on that point, or consumers  
26 either.

27 Q. I would like to just keep to the  
28 principle of it now.

29 A. Yes.

30 Q. You say that for national policy it may







1  
2 be necessary for the railways to carry some traffic at  
3 less than their out-of-pocket cost?

4 A. Yes.

5 Q. Now, if that is so ---

6 A. I am not saying they do carry any, mind  
7 you.

8 Q. No. If they do that -- and you agree  
9 they should be permitted to do that under certain  
10 circumstances?

11 A. Yes.

12 Q. Now, who do you then say should bear the  
13 burden of that traffic carried at an out-of-pocket loss?

14 A. I think it could be made up through the  
15 rates paid by other shippers in an economy, or in a  
16 federation such as Canada.

17 Q. Do you think that is fair to the other  
18 shippers to have to pay that?

19 A. I don't think you can treat a question  
20 like this in pure economic terms, because Canada is a  
21 federation. We have built our railways to a certain  
22 extent in defiance of geography. To make them work we  
23 have put on tariffs, and when we get into considerations  
24 of equity as between individuals in one part of the  
25 Dominion as against another, you get into things that  
26 are extremely difficult to measure

27 Q. Would you not agree if that situation  
28 arose the fair thing to do would be to have the national  
29 treasury absorb the result of that national policy?

30 A. No, I can't go that far.





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Q. You don't agree with that?

A. No, not necessarily. I would want to see all the facts first.

Q. You think the other shippers should subsidize traffic that has to be carried at a loss?

A. I think they might be. I won't go any further than that.

Q. How far must they go in subsidizing?

A. That is why I say it is the sort of question that could only be answered with reference to a particular situation once it had been established.

Q. Well, then, I presume that one of the objections you have to the cost of service principle is that it involves the railways not carrying any traffic at less than out-of-pocket cost? You would not agree ---

A. No, my answer there is that I am afraid, not being a rate expert, that I haven't considered that question at all. It certainly was not a factor in making up our minds that there was nothing in the cost of service principle that would solve the railway problem.

Q. The point of this question of carrying traffic at less than out-of-pocket cost -- let us look for a moment at the passenger losses. Both railways have now indicated that they have substantial passenger losses -- out-of-pocket passenger losses; is that correct?

A. Yes, that is what I understand to be the





1  
2 case.

3 Q. Let me put this question to you first:  
4 do you think the freight shipper should bear that loss?

5 A. Again, it is the sort of hypothetical  
6 question of that sort that I think you have to look at  
7 the railway operations as a whole. I just can't answer  
8 that question without looking at the railway operations  
9 as a whole, knowing the amount of the passenger deficit  
10 and ---

11 Q. We know they are substantial.

12 MR. CARTER: Let the witness finish his  
13 answer.

14 A. . . . and all the rest. Also, I feel,  
15 Mr. Brazier, that in this field there are so many arbi-  
16 trary ways of costing that you would have to know exactly  
17 on what basis it was arrived at.

18  
19 ---Short recess.  
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THE CHAIRMAN: Very well, Mr. Brazier.

MR. BRAZIER: Thank you, Mr. Chairman.

Q. Still dealing, Dr..Britnell, with paragraph 5, going down to the last sentence of that paragraph you say:

"Probably the principal features of such a rate structure are that it requires, on the one hand, regulation to prevent unduly high rates in essentially monopoly areas..."

Now, if I could just stop there meantime. Do you think that there should be regulation to prevent unduly high rates or not?

A. Unduly high in the sense of your phrase, I believe ---

Q. It is your phrase that I am quoting.

A. No -- but I say by unduly high I mean, and I was trying to recapture your phrase of a little while ago -- "unjust and unreasonable".

Q. Yes?

A. Yes. As defined by the Board.

Q. Is that what you mean there by "unduly high rates"?

A. Yes, yes.

Q. But do you agree -- let me put it this way. Wouldn't you agree that a regulation to prevent that happening is a good thing?

A. To prevent --- ?

Q. Unduly high rates?





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A. Yes. Oh, yes, yes.

Q. So, if that is one of the principles, one of the features of the principle, you have no objection to that feature of it?

A. No, but we are talking there, I think, Mr. Brazier, of value of service rather than cost of service.

We are going on from the previous sentence. We are talking about the value of service:

"Probably the principle features of such a rate structure are that it requires, on the one hand, regulation to prevent unduly high rates in essentially monopoly areas...", and so on. We are talking about value of service.

Q. But I suggest to you in the context actually you are not, Dr. Britnell. You say:

"On the other hand, a great deal of ingenuity, wisdom and experience on the part of railway management to make it work."

I presume that there you were again saying that this might not be a workable system in so far as the railway rate making people were concerned?

A. No. Perhaps we are responsible for the ambiguity, but what we are talking about there is value of service, and that the railways have to exercise a great deal of ingenuity -- the railway managers -- ingenuity, wisdom and experience.







1  
2 THE CHAIRMAN: Competition has produced  
3 difficulties?

4 THE WITNESS: Yes, it has.

5 MR. BRAZIER Q: Well, therefore, we  
6 must read that sentence this way, Dr. Britnell:

7 "Probably the principle features  
8 of such a rate structure based on value  
9 of service..."?

10 A. Yes, I think we have gone a little  
11 too far from our noun.

12 Q. You agree the way it stands now  
13 it is --

14 A. Yes, I think we have been guilty of  
15 a little loose terminology there.

16 Q. "A rate structure based on value  
17 of service."

18 Would you turn to paragraph 6. You are  
19 in paragraph 6 speaking of the cost of service  
20 principle. You say:

21 "There has been a great deal of  
22 discussion recently concerning the  
23 principle of cost of service with  
24 reference to rate making."

25 A. Yes, we mention it.

26 Q. "Much of this discussion appears  
27 to assume that if the trucking industry diligently  
28 pursues the cost of service principle a railway  
29 rate structure based on value of service must  
30 ultimately break down".





1  
2 Now, do you think that is an incorrect  
3 assumption?

4 A. Yes.

5 Q. You do?

6 A. Yes.

7 Q. You do not think that the cost of  
8 service or a rate structure based on cost of service  
9 could be flexible enough to meet truck competition?

10 A. Well, I do not think truck competition  
11 is ever going to come down to cost of service for all  
12 its items unless it absolutely has to. I do not  
13 think competition will do that for every commodity.

14 Q. No, I am not suggesting that for  
15 every commodity, but you are speaking generally of  
16 the rate structure?

17 A. Well, it will for some commodities.

18 Q. But principally the commodities  
19 which are affected by truck competition?

20 A. Well, yes, yes.

21 Q. Going back to paragraph 8 of your  
22 brief, it reads:

23 "It is necessary to recognize  
24 at the outset that a rate structure  
25 based on cost of service would mean  
26 a completely new rate structure based,  
27 at least in part, on weight and volume  
28 with numerous variations related to  
29 cost."  
30





1  
2 I suggest to you that that is not true  
3 of the suggested proposal put by the Province of  
4 British Columbia?

5 A. I would agree.

6 Q. Then, you say:

7 "The current rate structure as  
8 established under equalization would  
9 have to be completely discarded."

10 A. Is that the same paragraph?

11 Q. Yes, paragraph 8. The last  
12 sentence:

13 "The current rate structure as  
14 established under equalization would  
15 have to be completely discarded."

16 A. Yes.

17 Q. Now, I suggest to you, Dr. Britnell,  
18 that in fact the only part of the rate structure  
19 that has been equalized is the class rates?

20 A. Yes, that is substantially correct,  
21 I believe.

22 Q. There have been objections of  
23 industry, the railways and others to any attempt to  
24 equalize the principal commodity rates in Canada?

25 A. Yes, we cited the case of the lumber  
26 rates in our brief.

27 Q. Yes. Certain lumber interests  
28 took objection to the equalization of lumber rates  
29 in Canada?

30 A. I believe that is true.







1  
2 Q. And I think the railways have  
3 consistently held that an equalized commodity scaled  
4 for various commodities just would not work?

5 MR. SINCLAIR: Mr. Chairman, I think my  
6 friend should be fair to Dr. Britnell. There has  
7 been equalization of a substantial number of  
8 commodity mileage scales and the position of the  
9 railways that he has spoken to had to do, if not  
10 exclusively, very largely with specific commodity rates  
11 with commodity mileage scales. There has been  
12 substantial equalization of classification and  
13 commodity mileage scales.

14 MR. BRAZIER: I suggest to my learned friend  
15 that the commodity mileage scales are not too important  
16 in the freight rate structure of Canada today.

17 MR. SINCLAIR: I would certainly disagree  
18 with him on that.

19 THE CHAIRMAN: That is a matter of  
20 argument.

21 MR. BRAZIER Q: But let us take the  
22 situation as set forth by Mr. Sinclair that we have  
23 the class rates, that we have certain commodity mileage  
24 scales equalized. Would you agree that the great  
25 bulk of the freight rate structure is not equalized?

26 A. That is my impression. I have not  
27 examined it very carefully, but that is my impression.

28 Q. When you speak of a rate structure  
29 established under equalization, it is not quite a  
30 correct description of it; is it?





1  
2 A. Well, it was carefully phrased.  
3 "The current rate structure as established under  
4 equalization...."

5 Perhaps we should have said: "...under  
6 the equalization proceedings."

7 We do not mean to suggest that they have  
8 been equalized. Perhaps it would have been more  
9 accurate to say, Mr. Brazier, "the current rate  
10 structure as it has emerged from equalization  
11 proceedings."

12 Q. Yes. In paragraph 9 you say:

13 "A basic unit for measuring cost  
14 would be difficult to find or define."

15 You undoubtedly have heard the railway  
16 evidence in these proceedings and other proceedings  
17 in which they state that they already do a great  
18 deal of cost finding work in regards to rates.

19 A. I have heard that, sir, yes.

20 Q. Their claim being that they use it  
21 extensively today? ,

22 A. Yes.

23 Q. In establishing rates?

24 A. Yes.

25 Q. That being so, would you agree that  
26 even to the outsider what looks like a rather  
27 formidable task may not be so? With the modern  
28 equipment that the railway has, they can determine  
29 costs on a reasonable basis?

30 A. I think they can come very much







1  
2 closer today and do a much more efficient job than  
3 they could a few years ago when they did not have  
4 the present machinery.

5 Q. And it is a field -- while it is  
6 a new field, probably, for the railways and for  
7 others, it is a developing field?

8 A. Yes.

9 Q. And I suggest to you that one of  
10 the difficulties you are suggesting there are only  
11 relative and will become less important as time goes  
12 on?

13 A. I would suspect, Mr. Brazier, that  
14 in defining your basic unit you would still have quite  
15 a large area for argument.

16 Q. I would agree with you there, but  
17 it is something that is possible for determining on  
18 some reasonable basis?

19 A. Granted certain assumptions, yes.

20 Q. You and I may not agree with the  
21 results, but some independent body could find a  
22 determination that would be fair?

23 A. Yes, yes.

24 Q. I suggest to you they would have  
25 a much easier task in determining that than they  
26 would at the present time in deciding whether a  
27 rate is just and reasonable?

28 A. Well, I think the railways are  
29 not likely to be bothered by that consideration.

30 Q. Not under the present system?





1  
2 A. Until they are checked by the Board.

3 Q. In respect to your paragraph 9 where  
4 you are pointing out what appear to you to be  
5 difficulties in defining costs, I would suggest the  
6 quotation that you have in paragraph 11, page 5 rather  
7 suggests the contrary. I will just read the  
8 quotation you have from Professor Pegrum, the first  
9 paragraph:

10 "The pervasive nature of present  
11 day competition points in the direction of  
12 rate-making taken on more and more the  
13 features of competitive pricing. This  
14 is likely to lead to a greater simplification  
15 of pricing procedures and less formalism  
16 of rate structures."

17 Now, you have quoted Professor Pegrum, and  
18 I presume you agree with that paragraph?

19 A. Well, we agree with the whole  
20 statement taken together and the last words of the next  
21 paragraph are perhaps significant:

22 "In other words, as rate making  
23 becomes more competitive, value of service  
24 will play a larger role than it has in  
25 the past. Cost of service, with large  
26 fixed and joint costs, can never be more  
27 than a minimum gauge."  
28 That is, we like to take the whole thing  
29 together.

30 Q. I appreciate that you gain some





1  
2 support for your proposal from the second part.

3 A. Yes.

4 Q. I was saying here where you are trying  
5 out  
6 to point/the practical difficulty in determining costs  
7 that Professor Pegrum says that it is not so?

8 A. Yes, I think that is what he says in  
9 the first part.

10 Q. Going back to paragraph 10, you say:

11 "The greatest difficulty in a rate  
12 structure tied to cost would be that it  
13 could not recognize demand and the  
14 elasticity of demand which are fundamental  
15 to a rate structure based on the value of  
16 service principle."

17 Now, I suggest to you, Dr. Britnell, that  
18 in the submission made by the Province of British  
19 Columbia that between the minimum scale based on  
20 out-of-pocket costs and the maximum scale based on  
21 total cost there is ample room for the play of what  
22 you call elasticity of demand?

23 A. I cannot remember your case sufficiently  
24 clearly to give a categorical answer to that, but may  
25 I just finish, Mr. Brazier?

26 Q. Yes?

27 A. I have in square brackets to remind  
28 myself, and perhaps under such circumstances to put  
29 on the record, that when I say:

30 "The greatest difficulty in a rate  
structure tied to cost would be that it







1  
2 could not recognize demand..."

3 I have the word "literally" -- "literally  
4 the greatest difficulty in a rate structure..."

5 That is to distinguish it from the variant  
6 produced by the Province of British Columbia.

7 Q. Yes, but in the principle as we  
8 have submitted it to this Commission you would agree  
9 that there is room for the elasticity of demand to  
10 be --

11 A. I had that impression because I felt  
12 you came quite close. That points, at least --  
13 although I certainly wasn't sure of that -- all the way  
14 through to the value of service principle and made  
15 large concessions to it in your adaptation of the  
16 literal doctrine.

17 Q. Did you understand our submission  
18 to be fundamentally that there should be a minimum  
19 scale which was determined by out-of-pocket costs and  
20 that the railways were not to be permitted to go below  
21 that rate?

22 A. Yes, I understand that.

23 Q. And there would be a maximum scale  
24 which would be the total cost of handling the  
25 traffic -- the total, or, I think we conceded plus five  
26 or ten per cent over and above that?

27 A. Yes.

28 MR. SINCLAIR: Oh, well, Mr. Chairman, if  
29 we are going to recollect things, I recollect there  
30 was no five or ten per cent.





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(Brazier)

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1  
2 THE WITNESS: I do not remember any  
3 percentages.  
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1  
2 Q. But our proposition was that between  
3 those two levels the railways were free to fix rates  
4 as they saw fit.

5 A. Well, that, Mr. Brazier, I have referred  
6 to once or twice: I got a little confused as to whether  
7 that was really a cost of service principle all the  
8 way through or a literal adaptaion of the doctrine.

9 Q. There are a great many varieties of  
10 these theories and it depends which one you are speaking  
11 of?

12 A. Yes

13 Q. And maybe I was presumptuous in thinking  
14 that you were thinking of the proposition that has been  
15 submitted to this Commission?

16 A. No. We were not unmindful that it  
17 has been put up as a cost of service principle, but what  
18 we had in mind was what I considered to be the Simon  
19 pure cost of service principle, a strict and literal  
20 interpretation of it.

21 Q. You, then, would agree with me to the  
22 extent that the railways can go between the minimum  
23 and maximum?

24 A. Yes; it seemed to me it provided a  
25 playground of some dimensions there.

26 Q. Further in that same paragraph, the third  
27 sentence, you say:

28 "A rate structure based on costs would  
29 have a much narrower spread than the one  
30 currently in effect and obviously the rates





1  
2 on traffic presently moving on low tariffs  
3 would have to be raised."

4 Now, in making that statement had you any particular  
5 traffic in mind, Dr. Britnell?

6 A. No. We think of it in terms of general  
7 principle, that you have quite a wide variety in your  
8 freight rate schedules and some are carried probably  
9 at not very much higher than out-of-pocket expenses  
10 and others are carried at the ceiling.

11 Q. You were not thinking there of traffic  
12 that is today moving at less than out-of-pocket costs?

13 A. No, no.

14 Q. And you may agree, since our discussion of  
15 it, that under the British Columbia proposal, just because  
16 a traffic is in the low rate doesn't necessarily mean  
17 it will have to be raised provided it is above the  
18 out-of-pocket expenses?

19 A. I am sorry ---

20 Q. Provided this traffic moving at low tariffs  
21 is above out-of-pocket costs, it would not be changed  
22 under the British Columbia proposal?

23 A. That is the way I understood it.

24 Q. Now, I would like to go to a different  
25 subject and refer you to p a g e 23 of Part III of  
26 your brief, where you are speaking of the most efficient  
27 use of the transportation facilities and ensuring the  
28 lowest possible costs, in paragraph No. 67.

29 A. Yes.

30 Q. I suggest to you, Dr. Britnell, that you







1  
2 can't accomplish that aim unless the various transpor-  
3 tation media have their rates established on some form  
4 of cost of service principle?

5 A. We were thinking in broad general terms;  
6 we were not singling out any particular goods or com-  
7 modity. You might still have a range; in fact, we  
8 think some elasticity is perhaps desirable. But we  
9 were thinking of the cost of transportation as a whole,  
10 of moving all the goods.

11 Q. I suggest that if you want to do that at  
12 the lowest possible cost to the national economy as a  
13 whole, then it has to be done through the media that  
14 has the lowest possible cost. Doesn't that logically  
15 follow:

16 A. I think it does; although I do think that  
17 you may have to consider a number of other factors in  
18 that. I don't think you can quite stop there. That is,  
19 going a little further, I don't think you could allow with  
20 rapidity the destruction of one carrier by another, even  
21 though we have no desire to hold up the wheels of  
22 technological progress.

23 Q. We can't have a transportation evolution  
24 overnight; all these things will have to be worked out  
25 over a period of time, and at the same time you might  
26 even keep some uneconomic truck operations continuing?

27 A. Yes.

28 Q. But I put it to you and I suggest there  
29 can only be one answer, and that is if you want to get  
30 the lowest possible cost for the national transportation







1  
2 carrier, then the goods must be carried in the media  
3 having the lowest cost?

4 A. Yes, I would agree with that.

5 Q. Now, then, one or two questions in  
6 respect of your subsidy. First, might I ask you,  
7 are you suggesting or would it be your opinion that  
8 the present bridge subsidy should be eliminated and  
9 consolidated in this new subsidy?

10 A. Yes. Well, I said yes rather quickly  
11 to that. I think in the interests of simplicity it  
12 would be a good thing to get rid of these rather small  
13 potatoes.

14 Q. Would you agree with me that it is  
15 about time we got down to an overall solution of this  
16 transportation problem rather than patch it patchwork  
17 here and patchwork there?

18 A. Yes.

19 Q. Now, would that subsidy which you are  
20 proposing be just on traffic moving from the west to the  
21 east or would it cover traffic within the west, traffic  
22 from the west to the east, or what would be the measure  
23 of the subsidy?

24 A. I would hope it would cover all three  
25 of those types of traffic.

26 Q. And would it apply to traffic that is  
27 moving fifty miles or only traffic that is moving five  
28 hundred miles?

29 A. Well, I think these are details to be  
30 worked out. We haven't thought our way through all that.





1  
2 What we are concerned with most obviously is to ease  
3 the burden of the long haul, which would include hauls  
4 from British Columbia through the prairie provinces.  
5 They are long hauls, tough terrain and all that.

6 Q. And I think you would agree with me  
7 that the bridge subsidy has not been to the advantage  
8 of the manufacturer in the Pacific coast in competition  
9 with the eastern manufacturer?

10 A. Yes.

11 Q. But this would be a subsidy applying to  
12 all forms of traffic into and out of the area?

13 A. That is the way I would I would visualize  
14 it.

15 Q. And whether the traffic was able to pay  
16 the rate or not; it is just a general reduction of  
17 rates in the area?

18 A. Yes.

19 Q. And how would the amount of that subsidy  
20 be determined?

21 A. Well, we would hope that, as I think I  
22 said yesterday, we could start out with the maritime  
23 scale.

24 Q. Thirty per cent?

25 A. Yes. That is a reasonably modest figure.  
26 We are not asking for more at the present time.

27 Q. Mr. Fleming may not think so?

28 A. No. Ministers of Finance are very con-  
29 servative in these matters, of course.

30 Q. But is there any fundamental reason for







1  
2 saying that that would be fair and required at the  
3 present time? You wouldn't want the subsidy to be  
4 more than required?

5 A. Oh, no.

6 Q. Would you say it is required today?

7 A. To ease and compensate us for some of  
8 the burdens of national policy, yes.

9 Q. And if the rates go up next year or the  
10 year after, would you say then the subsidy should be in-  
11 creased again?

12 A. Not necessarily; because for one thing  
13 we would be getting a reduction of 30 per cent on  
14 these rates which would blunt the full impact of them  
15 in the area. We don't want to do anything that would  
16 interfere with the present machinery which has been  
17 worked out, tried and tested over a long period of time  
18 and which I think provides the necessary guarantees  
19 for Mr. Fleming.

20 Q. I think you would agree that applying  
21 such a subsidy in the west would be far more complicated  
22 to apply, the Maritime Freight Rates Act?

23 A. Yes. Well, I think it would take longer  
24 to work it out. We could start with the long-haul  
25 traffic and apply it gradually. I haven't really,  
26 though, thought out the details of this.

27 Q. Would it be your opinion, Dr. Britnell,  
28 that it is really the long-haul traffic that has suffered  
29 due to the numerous general freight rate increases  
30 since 1948?





1  
2 A. Yes.

3 Q. And that it is eventually that traffic  
4 that needs relief?

5 A. Yes.

6 Q. You would have no objection, then, if  
7 this subsidy were adopted, it were tied into some  
8 measure of long-haul traffic?

9 A. No; I would want it to be.

10 THE CHAIRMAN: Mr. Hume?

11 MR. HUME: Thank you, sir.  
12

13 CROSS-EXAMINATION BY MR. HUME:

14 Q. Dr. Britnell, I have about three points  
15 I would like to discuss with you in connection with  
16 your brief, and in particular your very interesting  
17 proposal given in evidence last night. As I didn't  
18 receive the transcript until quite late, I haven't  
19 had an opportunity of reviewing it too carefully. But,  
20 first of all, just let me say generally, that the  
21 impression I got as I read your submission when it was  
22 received some time ago in two respects was that, first  
23 of all, the brief appeared to play down the role of  
24 the trucking industry in developing your province, and  
25 I was wondering whether or not that was an impression  
26 which was intended to be given or it was just the  
27 way I read the words?

28 A. No, it definitely was not intended to  
29 do so, and I do concede that we have had some measure  
30 of relief from the trucking industry in the last decade.







1  
2 Q. The second point that I took from your  
3 submission, and as it was somewhat contrary to my  
4 understanding I made some inquiries, was in connection  
5 with your Section 16 of Part III, paragraph 16 of  
6 Part III, halfway down page 7, dealing with the problem  
7 of the wintertime and the highways. Now, as I have  
8 read that paragraph -- and also I think it is referred  
9 to in paragraph 15, Part I -- the impression I got was  
10 that there were times during the year when the roads  
11 in Saskatchewan were not passable for the carriage of  
12 freight. Now, part of my information comes from the  
13 official publications of the Saskatchewan Department  
14 of Highways, 1957, Report on Saskatchewan Highways,  
15 and at page 37 it says this:

16 "All provincial highways were kept open  
17 throughout the winter with practically no  
18 interruption of traffic."

19 And in the 1958 report of the Department of Highways  
20 in your province, at page 35, it said:

21 "All provincial highway were kept open  
22 for traffic during the winter with practi-  
23 cally no interruption of service due to  
24 blocked roads."

25 And I find that again repeated in the 1959 report  
26 where it says:

27 "Throughout the winter there was no serious  
28 interruption of traffic at any time on account  
29 of blocked highways,"

30 and so on.







1  
2 I was wondering whether or not you had  
3 intended to convey to this Commission the fact that  
4 there was actually a restriction of trucking in the  
5 wintertime in your province?

6 A. No. But you will notice in all three  
7 of those statements there is a qualification: "with  
8 practically no interruption of traffic" in 1957;  
9 "practically no interruption of service" in 1958;  
10 and "with no serious interruption" in 1959. So it  
11 doesn't say there is no interruption in any one of  
12 those years; and, incidentally, these have been some  
13 of the easier years and the provincial highway  
14 system is a very limited system in terms of the total  
15 road system of the province.

16 Q. My instructions are that so far as the  
17 for-hire trucking industry is concerned they have over  
18 the past several years carried on throughout the  
19 wintertime and even during the half-load ban in spring  
20 without interruption. Would your information be  
21 different from that?

22 A. Yes, when these reports say "with  
23 practically no interruption of traffic, practically  
24 no interruption of service, no serious interruption."  
25 I don't want to quibble about this. Our Department  
26 of Highways is doing a magnificent job in keeping the  
27 highways open. I do know, though, that I have got  
28 caught in Regina, and that is pretty serious to anybody  
29 living in Saskatoon and having to go back either on  
30 the train or plane to get back.





1  
2 Q. I suppose that any place where you have  
3 snow you have the odd interruption, and that is true  
4 anywhere in Canada. I am only interested in this over-  
5 all impression that this paragraph appears to give, that  
6 the trucking industry is unable to function throughout  
7 the winter, and my instructions are to the contrary.

8 A. We meant only to go this far, that by  
9 virtue of the extended mileage of our highway and road  
10 system and the sparseness of population with which we  
11 have linked that, we have problems which are more  
12 manageable in areas with more dense population.

13 Q. I have here a very interesting study  
14 of resources and industrial opportunities made for your  
15 province by the Stanford Research Institute, and I  
16 read in that study at page 106 the following:

17 "Development of all-weather highways  
18 has sparked a sharp increase in trucking  
19 services, so that for the first time in  
20 Saskatchewan history there are now two  
21 competitive modes of transportation by  
22 which many goods may be shipped. Undoubted-  
23 edly, this places industry in a more favour-  
24 able position that it has ever been."

25 Would you agree with that conclusion, sir?

26 A. Yes.  
27  
28  
29  
30







1  
2 Q. Then, Dr. Britnell, you refer to the  
3 weight restrictions -- and this is common, I think,  
4 throughout all the provinces in Canada -- but would  
5 you agree with me that during the period of weight  
6 restrictions the freight still moves but only half  
7 as much in a truck; in other words, it costs the  
8 truckers that much more?

9 A. Yes, that is right.

10 MR. SINCLAIR: They send it piggy-back then.

11 MR. HUME Q: You then refer to the  
12 ministerial order from time to time during heavy  
13 rainfall?

14 A. Yes.

15 Q. I have made some inquiries, and  
16 my informant who has been connected with the trucking  
17 industry for eight years says he can never remember  
18 an order being issued under that right, and he made  
19 some inquiries and he is not aware of any such order  
20 having been issued.

21 A. We were playing it safe by saying  
22 "trucks may also be banned". It certainly is there  
23 and can be invoked.

24 Q. You conclude your paragraph by  
25 saying that this is in sharp contrast to the situation  
26 in eastern Canada where truck transportation is  
27 carried on all year round, and I am merely trying  
28 now -- and I believe I have a clear understanding of  
29 it -- to show that there really isn't the contrast that  
30 perhaps the words would appear to indicate?





1  
2 A. We may have been unduly pessimistic.

3 Q. Thank you, sir. My next point  
4 dealing with your submission is in the question of  
5 a subsidy, and as I read section 72 of Part III, which  
6 appears on page 24, you are making it clear that you  
7 believe that the problems facing this Commission can  
8 be solved through, as you say -- "except through  
9 resort to a national transportation subsidy." What  
10 I am not clear about is, does the province of  
11 Saskatchewan agree with the Maritime provinces that  
12 a subsidy should be paid either to the shipper to  
13 permit him to choose his mode of carriage or to all  
14 carriers alike so as not to distort the competition  
15 picture?

16 A. I think I made it clear yesterday  
17 that I was neither supporting nor denying the Maritime  
18 position, but that any payment of a subsidy to the  
19 truckers would be contingent upon them coming under  
20 the jurisdiction of this regulatory body which we  
21 have suggested, simply because we don't feel it is  
22 manageable or that they should come in automatically,  
23 but we have no prejudice. I would like to make  
24 that very clear, that we have no prejudice against  
25 the truckers coming in if they are put in a position  
26 of general equality with the railways in every other  
27 respect.

28 Q. Now, I would like to discuss that  
29 with you. You made that quite clear at page 15340  
30 of the transcript yesterday. The obvious question







1  
2 that occurred to me is, supposing that the federal  
3 government don't agree with your proposal to set  
4 up an overall transportation authority. Suppose  
5 they decide this problem can be solved by enacting  
6 the Motor Vehicle Act that was proposed by the  
7 Canadian Trucking Associations. Just let us assume  
8 they don't buy this: in that event would you deny  
9 the highway carrier the right to subsidy?

10 A. You would have to have another  
11 hard look at it, because I do want enough safeguards  
12 and protections in there in paying out of federal  
13 funds.

14 Q. Wouldn't you assume that those who  
15 were paying out federal funds would do so on a  
16 proper and adequate system and on a proper basis?

17 A. I would not like to underwrite  
18 everything that a federal agency does.

19 Q. In other words, your evidence  
20 with respect to the condition precedent being  
21 under this authority, do I understand what you are  
22 saying is that if through no fault of the trucker  
23 he cannot get under it because there isn't any such  
24 authority, you would want to have another look  
25 as to whether competitive carriers should be  
26 entitled to receive the subsidy?

27 A. Yes. By saying "another look at  
28 it" it doesn't mean we would deny them.

29 Q. Of course. In other words, your  
30 answer to my learned friend Mr. Cumming yesterday







1  
2 was based upon the assumption that your proposal  
3 would be carried out, and that it then being the law  
4 the trucker would have no choice but to get under it?

5 A. That is right -- that is, the inter-  
6 provincial trucking.

7 Q. Oh yes, I am only speaking of him  
8 at the moment. So far as the intra-provincial  
9 carrier is concerned there is no question about him  
10 because, as you have made it clear, that is purely  
11 a provincial matter and your province has the  
12 authority to do whatever you deem best in that regard.

13 A. Yes.

14 Q. Having heard or read with some  
15 interest some ten or eleven years ago the proposal  
16 of your province to the Turgeon Commission, this  
17 proposal you make now -- at least, your answers  
18 with respect to intra-provincial trucking is somewhat  
19 different than it was eleven years ago.

20 A. Well, the situation has changed  
21 a great deal in eleven years.

22 Q. Yes, quite. At that time you were  
23 prepared to surrender your jurisdiction over intra-  
24 provincial trucking on two conditions: one, the  
25 provincial revenues had to be safeguarded, and,  
26 secondly the Dominion government would build you  
27 hard surface roads.

28 A. Well, that was thrown out in the  
29 evidence when the Chairman asked me the question.  
30 We said before we gave up revenues the province would





1  
2 have to assured that the Dominion would also take  
3 over the roads.

4 Q. Now, as I understand your evidence,  
5 you are prepared again to take a look at it if all  
6 the provinces agree?

7 A. Yes.

8 Q. My last point covers this interesting  
9 evidence you gave yesterday in Volume 89, but just  
10 before I turn to that may I ask you to look at  
11 section 77 of the third volume which is at page 20.  
12 Speaking of subsidy -- and this is something I  
13 forgot to ask you before -- you end that paragraph  
14 with the following sentence: "A national  
15 transportation subsidy would clearly further the  
16 national interest in that it would facilitate the  
17 interchange of commodities on the widest possible  
18 basis and would expand the traffic potential."  
19 This is undoubtedly my fault, but I do not understand  
20 what you are saying in that sentence.

21 A. I think I expanded it in cross-  
22 examination with Mr. Cumming, that what I had in  
23 mind there was that if you reduced the rates paid  
24 by the shipper or paid by the purchaser of the goods --  
25 and we wont get into that hassle.

26 Q. No, it doesn't matter.

27 A. But if you reduce the rates, that  
28 will promote greater commerce between different parts  
29 of the Dominion.

30 Q. More people would buy, for example,







1  
2 refrigerators in the west?

3 A. Yes.

4 Q. And that is what you had in mind?

5 A. Yes.

6 Q. In other words, it wasn't that the  
7 subsidy would merely create ten miles worked without  
8 any apparent ---

9 A. No, no; it would cheapen the cost  
10 of the necessities of life and of the instruments of  
11 production.

12 Q. Dr. Britnell, if you don't mind  
13 turning to Volume 89 of the transcript, and I might  
14 say I didn't have very much forewarning of this  
15 portion of your submission, but I have made one or  
16 two notes as I went through this proposal which  
17 Saskatchewan makes with respect to regulation, and as  
18 you can imagine it is a matter of some interest to  
19 the trucking industry, and I have about six or seven  
20 pages on which I want some clarification.

21 Page 15309 line 18, you state: "The fact  
22 of the matter is, however, that for most Canadians  
23 concerned with the movement of goods, truck  
24 transportation is increasingly occupying the position of the  
25 alternative carrier to rail." My question is,  
26 are you in that sentence including the for-hire  
27 carriage only, or the for-hire and private trucking --  
28 the inter city trucking?

29 A. The for-hire and ---?

30 Q. The private inter-city trucking?





1  
2 A. Oh, yes.

3 Q. You speak of "truck transportation",  
4 and I don't know whether you are embracing all  
5 movement on the highway by rubber or merely the  
6 people I represent.

7 A. I am not sure that we thought about --  
8 that I thought about that, but I think it would have  
9 to include all.

10 Q. There is a very substantial private  
11 inter-city movement of goods, as you are aware.

12 A. Yes.

13 Q. And, as you say, you are referring  
14 to the whole?

15 A. Yes, inclusive.

16 Q. Then, sir, if you don't mind  
17 turning to page 15313, at line 6 you state that this  
18 is your province's opinion that the regulation of  
19 inter provincial truck transport should ---

20 A. No, that is a question.

21 Q. Yes, the question is "Is it  
22 Saskatchewan's opinion that the regulation of inter-  
23 provincial truck transport should continue in any  
24 way to be delegated to the provinces, and your  
25 answer is "no". Perhaps you can't answer this,  
26 but I am somewhat curious, having appeared in the  
27 Winner case, myself, as to what has changed the  
28 opinion of the province from the very strong position  
29 they took at the Winner case and the conference  
30 following that that it should be delegated to the







1  
2 province?

3 A. I can't remember the details  
4 sufficiently.

5 Q. Would you recall that subsequent  
6 to the decision of that case which determined the  
7 question of jurisdiction that your province and  
8 others met here in Ottawa and had a conference on this  
9 matter and that the provinces, including Saskatchewan,  
10 advocated the delegation resulting in the present  
11 federal act -- the Motor Vehicle Transport Act?

12 A. I can't recall that.

13 Q. My next question with respect to  
14 your evidence, sir, is at the bottom of that page,  
15 15133 where you answer my learned friend Mr.  
16 Carter as to the advantages and the fear the  
17 truckers have of rail domination and your answer  
18 is: "I don't think so. One main objective of the  
19 system would be to enhance the stature and status  
20 of the trucker. The purpose of the system would  
21 certainly not be to put the truck in a secondary  
22 position to rail. This is not to suggest, however,  
23 that there are not any places, chiefly, perhaps with  
24 intra-provincial operations, where the most obvious  
25 and most useful place for a trucker is in the  
26 operation of a service which is complementary to rail  
27 or to long-haul truck operations. From this  
28 point of view one of the functions of the overall  
29 authority should be, to the extent to which its  
30 jurisdiction would permit, to see to it that where







1  
2       desirable truck operations are dovetailed with rail  
3 or with long-distance truck hauls."       My question  
4 with respect to that is, does that not imply a  
5 considerable amount of regulation and direction  
6 telling the trucker what he must do and what he  
7 must not do with respect to rail carriage of goods  
8 in Canada?

9               A.     I don't think so because, you see, we  
10 tied it in in two places with rail or long distance  
11 truck hauls.     We are thinking of the smaller type  
12 of truck movement as being ancillary, shall we say,  
13 to either an alternatively rail or long haul --  
14 large trucking.

15              Q.     Wouldn't that be intra-provincial  
16 trucking?

17              A.     Not necessarily.     I can certainly  
18 imagine many cases where it would cross the  
19 provincial boundary, particularly in Ontario and  
20 Quebec and in the Maritimes, in Saskatchewan and  
21 Manitoba, Saskatchewan and Alberta, and even  
22 British Columbia and Alberta.

23              Q.     I think I understand what you mean.  
24 Turning to the next page, if you will, page 15315  
25 you refer to the attainment of the orderly growth  
26 of the trucking industry and, "in the process add  
27 to its long term strength and overall status,"     I  
28 am only concerned to ask you whether or not your  
29 province has any criticism as to the growth of the  
30 trucking industry in your province under the present





1  
2 free enterprise system? You imply in that answer  
3 that there hasn't been orderly growth, and I am  
4 wondering whether that is implicit in your words?

5 A. I am not thinking so much of our  
6 province. I don't know the details well enough. I  
7 am thinking of the criticisms that have been suggested  
8 in eastern Canada more than in western Canada.

9  
10 ---Luncheon adjournment.  
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1  
2 THE CHAIRMAN: Order, please.

3 MR. COOPER: Mr. Chairman, Mr. Fairley  
4 is here on behalf of the Dominion Steel and Coal  
5 Corporation, and Mr. Rufus Cromwell, solicitor for  
6 the company, will present Mr. Fairley's evidence.

7 THE CHAIRMAN: Go ahead, Mr. Cromwell.

8 MR. CROMWELL: Mr. Chairman, you will  
9 recall when we first started our brief Mr. Fairley  
10 was to be here, but unfortunately he was away at the  
11 time and it was understood that he would come back  
12 and present the conclusions of our brief.

13 THE CHAIRMAN: Well, Mr. Matheson did his  
14 usual good job, but we are glad to have Mr. Fairley.

15 MR. CROMWELL: I will proceed right away  
16 with calling Mr. Fairley to give his evidence re  
17 the conclusions of our brief.

18 ---MR. A.L. FAIRLEY CALLED:

19 THE WITNESS: Mr. Chairman and members of  
20 the Commission, first I would like to thank you  
21 very much for allowing me to appear here for a few  
22 minutes and sort of pull the strings together and  
23 draw the conclusions to the brief which has already  
24 been presented by our general manager of traffic,  
25 Mr. R.H. Matheson.

26 PART VIII

27 CONCLUSIONS

28 81. The limited and scattered markets in the  
29 Maritimes and the uncertainties, restrictions and  
30





1 and vicissitudes of foreign trade dictate that  
2 for industries to develop and expand in the area,  
3 an outlet must be found in the larger markets of  
4 Canada. To be able to do this transportation costs,  
5 both relatively and absolutely, must be maintained at  
6 a level to make an outlet possible. This implies  
7 that the facilitating rate structure must also be  
8 made flexible and subject to periodical adjustment.

9 82. If one could state with certainty that  
10 competitive influences on the rate structure have  
11 become more or less stabilized then such periodical  
12 adjustments would only be required in connection  
13 with general rate changes as may be authorized  
14 from time to time by the Board of Transport  
15 Commissioners but, in any event, not less than  
16 every three years - unless some outstanding  
17 alteration is made or development takes place that  
18 could conceivably have detrimental consequences -  
19 if adjustments were not effected.

20 83. In so far as the Maritimes are concerned,  
21 perhaps at no time since the years 1925 and 1926  
22 has the full significance of the impact of the  
23 transportation changes that have been taking place  
24 during the last thirty years been brought more  
25 forcefully to the fore. The reason for this is  
26 that one can now see the effects of the changes in  
27 a broader perspective.

28 84. In a recent economic study prepared by  
29 a wellknown firm of consultants (Arthur D. Little Inc.)  
30







1 for the Nova Scotia government, the following  
2 conclusions were reached on Dosco's Sydney  
3 operations.  
4

5 "Our analysis of Dosco's position  
6 in the steel industry indicates that  
7 Dosco must expand beyond the present  
8 product line.

9 Steel manufacturing costs are about  
10 the same in Sydney and in a new mill  
11 close to major markets. However, because  
12 of freight charges in delivering flat-  
13 rolled products to market, the mill  
14 logically would be located close to the  
15 market.

16 We anticipate that Sydney, with  
17 proper government support, will be  
18 expanded to its optimum economic level.

19 To permit expansion of existing  
20 facilities at Sydney and to keep them  
21 operating as long as possible the  
22 government of Nova Scotia should continue  
23 its fight to reduce freight rates which  
24 now seriously penalize Dosco in relation  
25 to its competition."

26 And I would like to interpose there that Dosco had  
27 absolutely nothing to do with the preparation of this  
28 report except to furnish what information Arthur  
29 D. Little Inc. asked us for.

30 THE CHAIRMAN: Mr. Pepper was here.







1  
2 THE WITNESS: Yes, that is fine. That's  
3 good. This report was made by Arthur D. Little Inc.  
4 for the Nova Scotia government.

5 85. It is submitted that these conclusions  
6 succinctly set forth the situation facing Maritime  
7 industries dependent upon the larger markets of  
8 Canada. The required remedy may vary in degree  
9 contingent upon the nature of the commodity, that is,  
10 whether it is relatively of high value, bulky or  
11 otherwise.

12 86. The plan of rate assistance that Dosco  
13 urges is directed to off-setting freight rate  
14 charges "which now seriously penalize(it) (it  
15 inserted) in relation to its competition." In seeking  
16 "not ~~in~~ excess of rate parity" with Hamilton at  
17 Montreal Dosco is merely reaching out to the fringe  
18 of the major steel market in Canada with such  
19 surcharges in rates to points in central Canada  
20 beyond that are obtainable from today's rate  
21 structure. And I might point out that Quebec  
22 and Ontario together account for approximately 82  
23 per cent of the current steel consumption. Ontario  
24 consumes 59 per cent and Quebec consumes 23 per cent.  
25 The part actually used in the Maritimes is almost  
26 insignificant as far as Dosco is concerned.

27 We show at another point in this brief  
28 that aside from those rails which are delivered to  
29 the railroad for their own line distribution, and  
30 aside from a very small amount shipped to our Trent





1  
2 plant, the rest of it either goes into central  
3 Canada or, when we are lucky enough, we export a little  
4 of it. But that is an off and on game, and we cannot  
5 count on it as a regular source of business.

6 87. In the case of one large Maritime industry,  
7 it has been indicated that it would require assistance  
8 equivalent to 100 per cent of the "select territory"  
9 portion of the through rates in order for its Maritime  
10 plant to remain competitive. Obviously, Dosco also  
11 needs the equivalent of this 100 per cent assistance  
12 to make it truly competitive in the whole of central  
13 Canada. However, as a very minimum, it must have  
14 at least parity at Montreal with its principal competitors  
15 located in the Hamilton area. It is hoped that the  
16 Commission in its considerations will be able to evolve  
17 an appropriate plan with acceptable results.

18 88. Whatever form assistance may take Dosco  
19 submits that it should be clearly identified with the  
20 transportation factor as a matter of public policy.  
21 In this connection Dosco's approach to alleviating its  
22 handicap, however, is predicated upon the historical  
23 purposes behind the Maritime Freight Rates Act and  
24 in striking at proposed rates for destinations beyond  
25 Montreal the existing rate structure was also invoked.

26 89. The question has been raised whether freight  
27 rate assistance should also be extended to other modes  
28 of transport serving the Maritime area and thus maintain  
29 competitive relationships. The proposition may be  
30 fraught with difficulties and possible administrative







1 problems. However, time has not permitted a thorough  
2 investigation of the question and, as a consequence,  
3 Dosco is constrained from expressing its views thereon  
4 at this time. Be that as it may, Dosco reiterates  
5 that it is opposed to the regulation of water transport  
6 between the Maritimes and other parts of Canada.  
7

8 90. Reference to coal rates has been purposely  
9 excluded from this presentation since problems relating  
10 to the coal industry are currently under investigation  
11 by another Commission. However, Dosco does wish  
12 to point out that had "hold downs" in increases been  
13 applied to steel rates as had been done in the rates  
14 on coal Dosco would have been in a better relative  
15 position than it has been. Incidentally, the  
16 authorized increases in coal rates from April 7, 1948  
17 to July 31, 1959 have totalled \$1.40 per short or long  
18 ton whereas in contrast the actual increase in the  
19 rates on wire rods from Sydney, N.S. to Montreal, Que.  
20 and Toronto, On. in the same period amounted to  
21 \$5.72 and \$8.06 per long ton respectively.

22 In closing, we appreciate the opportunity  
23 to present Dosco's views and proposals. We hope  
24 that this submission will be helpful and if there is  
25 any further information that the Commission may desire  
26 we will be pleased to make it available.

27 -THE CHAIRMAN: Have you anything further  
28 to add, Mr. Cromwell?

29 MR. CROMWELL: No, Mr. Chairman. I would  
30 like to ask Mr. Matheson just two questions to clarify





1  
2 some of the evidence he gave last week.

3 THE CHAIRMAN: Very well.

4 ---RAND H. MATHESON, recalled:

5 ---DIRECT EXAMINATION BY MR. CROMWELL:

6 Q. Mr. Matheson, in your evidence last  
7 week at page 14893 of the transcript you stated, in  
8 effect, that the actual water rates allowing for  
9 loading and discharging are not too far apart from  
10 the proposed Sydney to Montreal parity rate of \$5.89  
11 per long ton. There would be a logical question  
12 which would arise from this: if this is so, why  
13 hasn't water transportation been utilized to a greater  
14 degree for steel shipments from Sydney to Montreal  
15 and ports along the Great Lakes?

16 A. The answer to that, Mr. Cromwell,  
17 is that regular rail shipments from the mill to the  
18 finishing plant offer advantages in contrast to the  
19 larger inventory requirements attaching the water  
20 movements.

21 But, as stated in paragraph 39 on page  
22 20:

23 "True, vessels take time to  
24 load and discharge, also cargoes have to  
25 be assembled and substantial tonnages  
26 require storage and result in larger  
27 inventories but there is a line of  
28 demarcation beyond which increasing rail  
29 costs dictate a reassessment of the  
30 advantages and disadvantages of each





1  
2 transport media."

3 Incidentally, in the light of the questions  
4 asked we should put on the record that projected  
5 cost of freight by water to Contrecoeur was around  
6 \$5.00 to \$6.00 per freight ton, but water transport  
7 alone, exclusive of loading and discharging, there  
8 were independent costs of \$1.53 and \$1.667 per ton,  
9 depending upon the rate of loading and discharging.  
10 That is to say, whether a ship would load 2,000  
11 tons per twenty-four hours or 3,000 tons per twenty-  
12 four hours, and similarly for discharging at  
13 destination points.

14 Q. Again, Mr. Matheson, at page 14883  
15 you were asked by Commissioner Mann:

16 "Have you any figures showing the  
17 labour content per dollar of expenses  
18 for Dosco?"

19 This is referring to content of the steel  
20 produced at Sydney.

21 Now, at that time you answered:

22 "I do not know of any, unless there  
23 are some since you raised the question."

24 Now, have you anything further to say on  
25 that, Mr. Matheson?

26 A. Yes, Mr. Cromwell. In the appendix  
27 to our brief, No. 9, there is set forth the principal  
28 statistics of the primary iron and steel industry  
29 for Canada and Nova Scotia and Ontario for the years  
30 1950 to 1958 inclusive.







1                   These are DBS returns, and I think will  
2  
3 enable the Commission to make a quick relative  
4 calculation of the earnings in relation to the cost  
5 of producing in Canada, Nova Scotia, and in Ontario  
6 for the years 1950 to 1958.

7                   I do not believe it is necessary for us  
8 to delve into this any further, and I think any  
9 additional information would be available through  
10 DBS returns.

11                  Q.       Just one more question, Mr. Matheson.  
12 In the transcript, page 14902, you were asked by  
13 Commissioner Mann -- Commissioner Mann stated:

14                   "Am I right in assuming that you  
15 are essentially following in your brief  
16 the Howland principle of selective approach?"  
17 And you gave an off-the-cuff answer at  
18 that time. Have you anything more to add?

19                  A.       Having now perused the section of  
20 Dr. Howland's report to which Commissioner Mann  
21 referred, I would say our approach is not essentially  
22 the same. As I interpret Dr. Howland's report, he  
23 merely raises a question whether an approach similar  
24 to the Crow's Nest might be a more effective aid  
25 than the more general arrangement under the Maritime  
26 Freight Rates Act. Our approach does not involve  
27 recasting the Act, but we do think that what the  
28 traffic can bear to be competitive is an important  
29 consideration. And to that extent, we are not  
30 too far removed from the approach being taken in the





1  
2 United States ex parte revenue railway cases.

3 MR. CROMWELL: Thank you.

4 THE CHAIRMAN: Thank you, Mr. Cromwell.

5 Mr. Fairley?

6 ---MR. A. L. FAIRLEY, recalled.

7 ---CROSS-EXAMINATION BY MR. COOPER:

8 Q. Mr. Fairley, I have a few questions  
9 I should like to put to you merely for purposes of  
10 enlarging somewhat on your evidence.

11 I believe, Mr. Fairley, there is no doubt  
12 about this, that you are president of Dominion Steel  
13 and Coal Corporation Limited. But would you state  
14 yourself to the Commission your present position with  
15 the company and how long you have been in that position?

16 A. Yes, sir. I am president of the  
17 Dominion Steel and Coal Corporation Limited, and its  
18 subsidiary companies. I have been in that position  
19 for a little over a year.

20 Previous to that, I was executive vice-  
21 president for almost a year. I am also a director  
22 of the Dominion Steel and Coal Corporation and its  
23 subsidiary companies.

24 Q. Would you just mention the subsidiary  
25 companies to which you have generally referred?

26 A. Well, there are thirty-two of them.  
27 Could I submit a list?

28 Q. Oh, no. There is no necessity of  
29 that. I was not aware you were president of so many.

30 A. There is Canadian Bridge; Truscon Steel







1  
2 Corporation; the old Sydney Colleries; Acadia Coal  
3 Company; Dominion Iron and Steel. There's Sydney  
4 and Lewisburg Railroad; there is the Dominion Shipping  
5 Corporation; there is Dominion Wabana --

6 Q. I think, Mr. Fairley, that sufficiently  
7 qualifies you as a president.

8 COMMISSIONER ANSCOMB: I'd say it is  
9 free enterprise at its best.

10 THE WITNESS: I am not paid for all those  
11 independent jobs, I might say.

12 MR. COOPER Q: Mr. Fairley, in the  
13 Montreal Gazette for Friday, September 16, 1900, there  
14 was an article entitled, or under the heading, "Its  
15 Your Business", written by John Meyer, financial  
16 editor.

17 A section of that column is headed "Helping  
18 the Maritimes". The paragraph in the section  
19 entitled "Helping the Maritimes" reads as follows,  
20 and I quote:

21 "There are other measures which  
22 might also be applied to the Maritimes.  
23 The government in fact has already set  
24 a precedent in extending the term for  
25 export credits insurance in Dosco's  
26 successful sale of rails to Mexico.  
27 If the Maritimes economy is to be  
28 assisted, there's far more to be gained  
29 by assisting it to compete with export  
30 markets rather than subsidizing its





1  
2 sales on domestic markets."

3 That is the end of the quotation. I will  
4 hand this to you, Mr. Fairley, so that you can  
5 follow what I have said and I should appreciate it  
6 if you would comment on the paragraph which I have  
7 read for the benefit of the Commission, and so as to  
8 have your views on the ideas there expressed.

9 A. All right, sir. I think that  
10 the difficulties with the ideas and suggestions made  
11 by Mr. Meyer here do not take into account the very  
12 sharp differences in labour rates in this country  
13 and in countries in Europe and in Asia with whom  
14 we have to compete. Now, there is no question that  
15 assistance in export business would help Dosco and  
16 help other companies that are operating in the  
17 Maritimes. However, I would like just to point out  
18 for a minute here a little bit about this present  
19 order which we were able to get after a great deal  
20 of difficulty. What the government has done there  
21 was to allow us a little bit longer terms than is  
22 normally allowed on the export credits insurance.

23 Now, the financing is all handled by  
24 Dosco. The orders were secured by Dosco; but the  
25 government was most helpful in extending the terms  
26 of export credits insurance -- not extending the  
27 coverage, but extending the length of the terms  
28 so that we can now go to certain foreign countries  
29 or act on this specific case, and this is a  
30 specific case, and offer these people seven years'





1  
2 credit instead of three years or five years as it has  
3 been in the past. This helps us a little more to  
4 compete with, say, the United States, who always had  
5 ten years in their export-import bank.

6 The real difficulty is, while this is  
7 good and has helped us, and this type of thing will help  
8 other Maritime industries, the difficulty is that  
9 when business is hard to get and times are tough, there  
10 isn't anything that can be done other than completely --  
11 in practical subsidy, maybe -- there isn't anything  
12 that can be done that overcome the difference in  
13 operating costs between, say, Dosco's plant at Sydney  
14 and between the big steel mills in England, Belgium,  
15 Holland, Western Germany and Japan.  
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1  
2 I spent a great deal of Europe and England,  
3 and the steel workers over there, the people working  
4 in steel mills, get just about one-third of what we pay,  
5 we pay our people just about 300 per cent higher wages.  
6 Now, as to labour, with labour accounting for anywhere  
7 from 35 to 50 per cent in the cost of steel, not counting  
8 the cost of raw materials, this is a major factor, and  
9 we have found it is very difficult and almost impossible  
10 to export from Sydney into the world markets except at  
11 times when the industry is doing well in other parts of  
12 the world.

13 Now, at the moment we are fortunate to get  
14 these Mexican rails; also we are fortunate in exporting  
15 steel to England, which is a complete reversal of the  
16 trend. But the reason we are able to do it is because  
17 the steel industry is running at an unprecedented rate.

18 THE CHAIRMAN: You are not shipping any  
19 coals to Newcastle?

20 THE WITNESS: No, sir, we are not; I wish  
21 we could.

22 But this basically is the reason that we must  
23 look for the continuing and the major part of our busi-  
24 ness; we must look to Canada. We cannot look to exports  
25 because there are other steel plants around the world  
26 which are just as modern, and a great deal more modern,  
27 than ours, with management that is just as smart as  
28 we are, with workers who know just as much about making  
29 steel as we do, and with labour rates far below ours,  
30 and if they want to get the business they can get it.





1  
2 MR. COOPER: Q. You would consider that  
3 the prospects of an export market from Sydney are, to  
4 say the least, not bright?

5 A. No, that is right. Temporarily, when  
6 something happens, when world markets become sufficiently  
7 good, we, of course, are standing right there and grab  
8 what we can. But this is not something we can look  
9 forward to as a long-term policy.

10 As a matter of fact, back in the nineteen-  
11 twenties the labour rates between the various continents  
12 were more nearly in line, and Sydney was exporting  
13 something between fifty per cent and sixty per cent  
14 of its capacity.

15 Q. I think the figure was 61.07. But, in  
16 any event, it is in the neighbourhood of 60 per cent  
17 and 61 per cent?

18 A. Yes; and today it ranges from nothing  
19 up to maybe fifteen per cent, twenty per cent, at the  
20 most.

21 Q. In the present situation when some  
22 exporting is feasible I would assume that Sydney would  
23 have an advantage over other plants in the export  
24 market, located as it is on the seaboard; is that  
25 correct?

26 A. Due to geography, yes, it is correct  
27 to that extent. It would not be correct in total,  
28 I don't think, for this reason: if we assume that our  
29 operating costs, and we must assume this because we  
30 don't know what the operating costs are for competitors,







1  
2 we don't know specifically -- but if we assume our  
3 operating costs are somewhat on a parity with our prin-  
4 cipal competitors, we can export a little cheaper, be-  
5 cause although they export in the same size of ships  
6 as we do their freight rates are a little higher because  
7 they have to ship a little further. But at the same  
8 time they have got for themselves a major part of this  
9 central Canadian market where prices are substantially  
10 higher than in the export market. That being the case,  
11 they can afford, when they get a good price for 60 per-  
12 cent of their production, to go down on 15 per cent  
13 for the export. The freight rates in our case eat  
14 it all up.

15 Q. Are there any other factors which lead  
16 to that result, or you don't blame it all on the freight  
17 rates?

18 A. Well, I am not sure I understand what you  
19 mean

20 Q. You are saying that you are at a dis-  
21 advantage with the central Canadian producers because  
22 of the freight rates, and your remarks that the freight  
23 rates eat it all up. But you are not suggesting that  
24 freight rates are the only consideration?

25 A. I would suggest it is the principal one.  
26 Probably our operating costs are pretty much on a par.  
27 There is another factor, and that is the service and  
28 delivery that we can give, operating a thousand miles  
29 from the market. Obviously we cannot give as quick a  
30 delivery or service if we are a thousand miles away





1  
2 compared with somebody who is one hundred miles. That  
3 is why we hope to continue the policy of putting our  
4 finishing mills in the market there and produce the  
5 crude or semi-finished steel at Sydney, and this is  
6 the real use of Sydney.

7 Q. Now, that leads me, Mr. Fairley, to one  
8 or two questions that I wanted to ask you arising out  
9 of paragraph 84 of your submission at page 39.

10 A. Yes, sir.

11 Q. That paragraph reads in its opening  
12 sentence, and I quote:

13 "In a recent economic study prepared by  
14 a well known firm of consultants for the  
15 Nova Scotia Government, the following con-  
16 clusions were reached on Dosco's Sydney  
17 operations."

18 And then follows a number of paragraphs, four of them,  
19 contained in the Arthur D. Little Report. The first of  
20 these is:

21 "Our analysis of Dosco's position in the  
22 steel industry indicates that Dosco must expand  
23 beyond the present product line."

24 I take it that Dosco is now planning on expanding beyond  
25 the present product line and into flat rolled products;  
26 is that correct?

27 A. That is correct, sir.

28 Q. The next paragraph from the Little report  
29 reads:

30 "Steel manufacturing costs are about







1  
2 the same in Sydney and in a new mill close to  
3 major markets. However, because of freight  
4 charges in delivering flat-rolled products  
5 to market, the mill logically would be  
6 located close to the market."

7 Now, as I understand what you have just said, the mill  
8 to which you refer there is a finishing mill?

9 A. That is correct, sir.

10 Q. I understand also that Dosco has plans  
11 to erect such a mill at Contrecoeur?

12 A. Yes, sir, we have such plans.

13 Q. That the land has been bought but con-  
14 struction not actually commenced as yet?

15 A. That is correct, and we have not announced  
16 any specific date for the beginning of construction.

17 Q. How far is that mill from the St. Lawrence  
18 River? What is the distance from the nearest river  
19 port?

20 A. It is right on the St. Lawrence River.

21 Q. So that the mill could be served by water?

22 A. Yes, sir.

23 Q. I refer now to the next paragraph from  
24 the Little Report contained in paragraph 54:

25 "We anticipate that Sydney, with proper  
26 government support, will be expanded to its  
27 optimum economic level."

28 Now, is expansion at Sydney dependent upon the erection  
29 of the mill at Contrecoeur?

30 A. Yes, sir.







1  
2 Q. Unless that mill is erected there will  
3 be no expansion at Sydney in the ordinary course of  
4 events?

5 A. That is correct, sir.

6 Q. If the mill is erected at Contrecoeur,  
7 what do you anticipate will be the expansion at Sydney  
8 in terms of percentage of present capacity, or whatever  
9 way you want to put it?

10 A. In terms of present capacity, we are  
11 thinking in terms of going from 900,000 tons a year  
12 to probably 1,200,000. This would not necessitate  
13 the construction of any new steel-making facilities;  
14 it would still be through the construction of the  
15 auxiliary equipment and to utilize the present  
16 facilities to a greater degree and a more efficient  
17 extent.

18 Q. That would be within the optimum economic  
19 level that this phrase is used in this report to which  
20 I have referred?

21 A. If I had to make a statement right now,  
22 I would say yes. Now, the question of what the  
23 optimum level is changes with technique and technical  
24 improvements. In five years from now I might say  
25 1,200,000 tons is not an economic level, but as of  
26 now I would say it is. But I hesitate to say just  
27 what Arthur D. Little means when they say "optimum  
28 economic level." I had nothing to do with the  
29 preparation of this report, and I would like to make  
30 that clear.





1  
2 Q. Any questions on this report are made on  
3 that basis.

4 That leads me to another question, and I will  
5 perhaps put it this way. The Arthur D. Little Company  
6 in their report have referred to "with proper government  
7 support" before they used the words "will be expanded  
8 to its optimum economic level". In the proposed  
9 expansion of the mill at Sydney, dependent upon the  
10 erection of the mill at Contrecoeur, is Dosco looking  
11 for government support and, if so, of what nature?

12 A. The only government support that we are  
13 -- let me say this again: I don't know what Arthur D.  
14 Little means when they say that. The kind of support  
15 that we are looking for is better freight rates or, if  
16 not, some form of freight subsidy which will allow us  
17 to get our semi-finished steel into the Montreal market  
18 on a cheap competitive basis.

19 Q. I refer again to the Arthur D. Little  
20 report, paragraph 84, which I quoted from:

21 "To permit expansion of existing facilities  
22 at Sydney and to keep them operating as long  
23 as possible, the Government of Nova Scotia  
24 should continue its fight to reduce freight  
25 rates which now seriously penalize Dosco in  
26 relation to its competition."

27 Now, I will put this question to you first: do you agree  
28 with that statement as contained in the Arthur D. Little  
29 report?

30 A. Yes, sir.







1  
2 Q. Will you then indicate to the Commission  
3 what is meant by the words "to keep them operating as  
4 long as possible"? Does that imply that there is  
5 going to come a time when those facilities at Sydney,  
6 will be abandoned in any event?

7 A. No, sir, I don't think it means that.  
8 Again I cannot say exactly what the Arthur D. Little  
9 Company means by specific verbiage in this case, but  
10 what I presume they mean is, as time goes on, any  
11 company which intends to stay in business must con-  
12 stantly reassess its position, its plant, process,  
13 markets. Now, there is no guarantee that any industry  
14 anywhere will continue forever in its present location  
15 or continue to make its present products. So far as  
16 I can see -- and this has been said publicly -- if  
17 we can manage to get this plant built in Montreal and  
18 if we can get freight rates which will allow us to get  
19 the semi-finished steel to that plant, then for the  
20 foreseeable future Sydney should run and should operate  
21 and be a successful plant. That doesn't mean that  
22 fifteen to twenty years from now, with the same con-  
23 ditions, that may not be true; on the other hand,  
24 fifteen to twenty years from now things may be different.  
25 But getting lower freight costs -- and I shouldn't use  
26 the term "freight rates" because we think the railway  
27 has done a darned good job in getting their rates down  
28 -- but lower transportation costs for our semi-  
29 finished steel. If we can get these things, as far  
30 as I can foresee at the moment, Sydney should continue





1  
2 to be a good, successful plant.

3 Q. The other day Mr. Pepper was giving  
4 evidence here and he was asked a number of questions  
5 relating to the future of Sydney, and I refer now to  
6 a question put to Mr. Pepper by Commissioner Mann at  
7 page 14723 of the transcript, and the answers which  
8 appear to that question and to other questions on  
9 page 14724. Commissioner Mann said:

10 "Am I right, Mr. Pepper, in recollecting  
11 that the eventual shutdown date, a period  
12 of degrading Sydney, using that word in  
13 its non-offensive sense, would be  
14 fifteen years, roughly, and by that  
15 time Sydney would operate at an ingot  
16 capacity of 300,000 tons?"

17 Mr. Pepper replied:

18 "I don't recall that, no, sir. I said  
19 that as far as we were concerned Sydney  
20 would, in our opinion, operate for  
21 fifteen years but that once steel-  
22 making facilities were established  
23 in the Montreal area Sydney would  
24 then become an incremental producer  
25 which would pick up the difference  
26 in demand because the facilities in  
27 Montreal would be required to generate" --  
28 and then appears the word "cash" and those in Sydney  
29 would not be depreciated and this would not be their  
30 problem."







1  
2 MR. SINCLAIR: Cash flow.

3 MR. COOPER: Q. The Chairman then said:

4 "What would happen to Sydney?" And Mr. Pepper said:  
5 "Our opinion is that Sydney would, in time, probably  
6 close down, but this may be ahead of fifteen years.  
7 This is pure speculation."

8 That is the end of the evidence to which I  
9 refer. Now, what are your views on the matter which  
10 has been dealt with in those questions and answers to  
11 which I have referred?

12 A. I think the last four words are the  
13 truest -- "This is pure speculation."

14 Q. You don't foresee any shutdown of Sydney  
15 at the moment in any period of fifteen years or any  
16 other period -- at the moment?

17 A. At the moment I don't see any shutdown  
18 of Sydney provided we can move ahead with a Montreal  
19 mill and provided we can get help on transportation  
20 costs. Without that I hesitate to say.

21 Q. On page 40, in paragraph 88 -- you may  
22 already have alluded to the subject -- the brief  
23 states:

24 "Whatever form assistance may take,  
25 Dosco submits that it should be clearly  
26 identified with the transportation factor  
27 as a matter of public policy."

28 I would just like you to comment on that. As I say,  
29 you may already have covered it because you have  
30 referred to public policy. But I should like any







1  
2 comment you may wish to make to the Commission and  
3 which would be helpful to the Commission on the  
4 words which I have read.

5 A. Well, I think, as you say, I have made  
6 my feelings clear on that. But to further qualify  
7 it, I think that the simplest, the best and the most --  
8 the proper way to give assistance to Dosco in its  
9 operations in the maritime area is to make its products  
10 available on a cheap transportation basis to the  
11 central markets of Canada.

12 Q. If the mill at Contrecoeur is built  
13 you will have an all-water route from Sydney to  
14 Contrecoeur?

15 A. Yes.

16 Q. Could that not result in a saving if  
17 you use that all-water route over present means of  
18 getting steel to the central Canadian market?

19 A. It depends what freight rate we use for  
20 the semi-finishes moving. That is a matter of dis-  
21 cussion at the moment, I think. So if we get a low  
22 enough freight rate it is conceivable that the ad-  
23 vantages inherent in railway transportation -- if we  
24 got an adequate rate we would think that the rail would  
25 be best. Certainly water is one consideration, there  
26 is no question about it, and we have looked into that  
27 very carefully.

28 Q. Water will be a bargaining factor in  
29 working out a rate with the railways?

30 A. You said that, sir.





1  
2 THE CHAIRMAN: Mr. Mauro?

3 MR. MAURO: No questions, Mr. Chairman.

4 THE CHAIRMAN: Mr. Hume?

5 MR. HUME: No, thank you, sir.

6 THE CHAIRMAN: Mr. Macdougall?

7 MR. MACDOUGALL: No questions, sir.

8 THE CHAIRMAN: Mr Sinclair?  
9  
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1  
2 ---CROSS-EXAMINATION BY MR. SINCLAIR:

3 MR. SINCLAIR: Mr. Chairman, I have a couple  
4 of points to deal with that I raised previously and  
5 left to Mr. Fairley, and also one or two that I didn't  
6 indicate that I might ask him so that at least I could  
7 get the reaction to some questions that he might not  
8 have completely expected.

9 Q. Mr. Fairlay, as you have indicated to  
10 my friend Mr. Cooper, you have been with Dosco for a  
11 couple of years, and prior to that, of course, in your  
12 business career you have acted in executive capacities  
13 with other companies?

14 A. Yes.

15 Q. And at the present time Dosco has  
16 problems?

17 A. Yes, sir.

18 Q. And you might have a Royal Commission  
19 into the problems of Dosco -- they are myriad?

20 A. Correct.

21 Q. And in some of the other businesses  
22 you were engaged in, they had their problems?

23 A. But never as many as Dosco.

24 Q. But it is not unusual for a company to  
25 have problems? That is what management is for -- to  
26 work at them and solve them?

27 A. I think that is right, Mr. Sinclair, and  
28 I think part of my job is appearing before this  
29 Commission and trying to get help.

30 Q. And, of course, there are many ways of





1 getting help?

2 A. Yes, that is right.

3 Q. If the government sets up a Royal  
4 Commission on transportation that, as a businessman,  
5 presents itself as a forum for you to present some  
6 claims?

7 A. Right.

8 Q. And if they present you with a Royal  
9 Commission on coal, you take advantage of that?

10 A. Yes.

11 Q. And if they had a Royal Commission on  
12 steel making in Canada, you would take advantage of  
13 that?

14 A. Yes, sir.

15 Q. You are no different from any other  
16 management in that respect?

17 A. That is right.

18 Q. In particular, Mr. Fairley -- and I  
19 am sure your background experience in Dosco indicates,  
20 in your information you have secured, that over the  
21 years there has been a change in your position in  
22 Dosco: one of them that was indicated was the inability  
23 to meet foreign competition because of differentials  
24 in wage scales; correct?

25 A. Yes, sir.

26 Q. Now, that not only affects you on the  
27 export market; that also affects you on the import?

28 A. Right.

29 Q. You have to meet import competition from  
30





1  
2 these low wage areas?

3 A. Correct.

4 Q. And one of the major problems with  
5 Dosco is that the cost of production in relation to  
6 alternative costs of production for the same product  
7 could well be out of line?

8 A. I don't know that I understand what  
9 you mean there.

10 Q. Labour rates are a factor in the  
11 cost of production?

12 A. Yes. Are you comparing us to other  
13 Canadian producers or to foreign producers?

14 Q. Foreign producers?

15 A. Oh yes, that is right.

16 Q. Or any kind of producers. You have  
17 indicated the foreign producers produce good steel.

18 A. That is right. As long as we are  
19 talking about a comparison with foreign producers,  
20 that is correct.

21 Q. Let us talk about domestic producers  
22 for just a moment. I think Mr. Matheson said you had  
23 a one per cent differential in labour costs in your favour,  
24 approximately, and we have called that relative parity.  
25 However, there was a time in Dosco that you had a  
26 substantial wage advantage before you had national  
27 bargaining in the steel industry?

28 A. I don't know.

29 Q. Your background ---

30 A. I haven't gone back over the past







1  
2 labour.

3 Q. Maybe one of the basic problems with  
4 Dosco is that under wage scales in Canada the effect  
5 of paying these wages is to effectively price Dosco  
6 out of the export competition with lower cost areas?

7 A. I think that is true. That is true  
8 in the industry as a whole.

9 Q. And it has a particular impact on  
10 Dosco because basically, as you have indicated at  
11 one time, it was the majority of your production?

12 A. That is right.

13 Q. And it was for that reason that I  
14 indicated to Mr. Matheson that possibly rather  
15 than looking at transportation as the measure of  
16 assistance that might be given to Dosco, that if the  
17 government for reasons of policy decided it was  
18 essential to maintain steel making in the Maritimes  
19 at your Sydney works, that they should measure the  
20 amount of the subsidy by looking at the export  
21 market, looking at your competition, giving weight to  
22 the difficulties you were in with your labour cost  
23 factor and adjusting the subsidy on that so that  
24 you could compete equally in your traditional market  
25 for over 50 per cent of your production. Would that  
26 not be of assistance to Dosco -- that kind of a direct  
27 analysis to enable you to compete equally with other  
28 steel makers in the export market?

29 A. Well, it seems to me that we are  
30 getting into now a discussion of tariffs, quotas and





1  
2 export economics which have very little to do with  
3 transportation. I would prefer to stay away from  
4 this discussion if we can, because I think it opens  
5 such a massive field that we can be here from now on.

6 Q. Well, you see, I would like you  
7 to get into that field a little bit because I just  
8 want -- my purpose is to indicate to this Commission  
9 that transportation may not be your big disability  
10 at all. It may very well be something having nothing  
11 to do with rail transportation in Canada, and it is  
12 for this reason I suggest to you that if you are  
13 an export producer traditionally, as your figures  
14 indicate, that possibly to look to the future and  
15 maintain you in the Maritimes on that basis that  
16 the direction of help should not overlook and should  
17 centre on something different than internal transportation.  
18 That is the purpose of the question, and I don't want  
19 to take you outside that.

20 A. This would get us into a field which  
21 we could discuss forever, of course, but I think that  
22 as far as we are concerned unless I should get into this  
23 field -- if you would like me to, Mr. Chairman -- but  
24 I think it is outside of our activity right now and  
25 I will prefer not to get into it.

26 Q. I will take the direction of the  
27 Commission, if they are not interested in the problem  
28 other than transportation. Your company is a  
29 subsidiary of A.V. Roe?

30 A. It depends on your definition of







1  
2 "subsidiary".

3 Q. It has a substantial stock interest?

4 A. Yes, my company has 77 per cent of  
5 the stock owned by A.V. Roe.

6 Q. There are other steel producers in  
7 Canada that your parent company, as I will call it --  
8 A.V. Roe -- once had an interest in?

9 A. Yes.

10 Q. And have they disposed of their  
11 interest in Algoma?

12 A. Again, should I get into these  
13 discussions of corporate policy?

14 THE CHAIRMAN: What is the question?

15 MR. SINCLAIR: I asked Mr. Fairley if his  
16 parent had disposed of all its interest in Algoma.

17 THE CHAIRMAN: Oh, I don't think we should  
18 press that.

19 THE WITNESS: I have no objection to telling  
20 you my interests at Doseco, but I hesitate to get into  
21 other companies with which I have nothing to do.

22 MR. SINCLAIR Q: Well, Algoma is a  
23 competitor?

24 A. Yes, sir.

25 Q. And if Algoma or any other steel  
26 company erected a fully integrated steel operation  
27 in the Montreal area including the production of primary  
28 steel and the production of finished products -- a  
29 fully integrated steel operation from beginning to  
30 end -- you could not compete in that market no matter





1  
2 what kind of subsidy you had in transportation, could  
3 you?

4 A. I would not say that, no sir; I  
5 would not say that.

6 Q. To pick an industry, if some large  
7 British steel maker or German steel maker set up a  
8 completely new organization, a complete, modern layout  
9 and modern plant and used ore from the port of Seven  
10 Islands, oxygen processes and a little bit of coal  
11 or water, do you think you could still compete?

12 A. It would be a tough competitive  
13 situation, but to set up a theoretical situation, such  
14 as that is, without getting down to the individual  
15 facts in each case, I would not say definitely. I  
16 would guess, if we had our plant built there and had  
17 a good freight cost on our slabs coming up from  
18 Sydney we may make a little bit less -- our profit  
19 margins may be a little closer, but I would say we  
20 would still be in a fairly competitive position.  
21 We would have to analyse that at the time.

22 Q. But your transportation costs, I  
23 suggest to you, in that area in order not to be  
24 a burden to you would likely have to be zero or close  
25 to zero?

26 A. Well, they should be pretty low.

27 Q. There is nothing much lower than  
28 zero, is there? From the Maritimes, there may be;  
29 they may want a negative transportation cost.

30 A. I think your suggestion of zero







1 transportation costs is pretty good, all right.

2 Q. Yes, but I am asking you if you  
3 think you would likely need that?

4 A. No, we would not have to go that low,  
5 but we would have to have some real good competitive  
6 transport costs, that is correct.

7 Q. There was one little remark -- and I  
8 am sure my note is wrong: you said in regard to your  
9 profit margins that freight rates ate them all up.  
10 I am always interested in corporations and how they  
11 are doing, and is it your suggestion to this  
12 Commission that Dosco over the last five years has  
13 had all its profit margin eaten up by freight rates?

14 A. No, not the full amount, of course  
15 not. Dosco has been profitable over the last few  
16 years. I would submit, of course, that compared to  
17 our principle competitors -- the other three large  
18 steel producing companies -- Dosco's profits  
19 are small, but they have been profitable. Our  
20 published statements so show that.

21 Q. I can't recall this offhand, but I  
22 am sure you can, and you can put it on the record:  
23 what was the return on your net investment from your  
24 steel making operations at Dosco for the last, say,  
25 five years?

26 A. I couldn't give you that right off  
27 hand just on steel making, because our published  
28 statements are the whole operation, steel making being  
29 the major part of it -- the basis of it. But, our  
30







1  
2 published report for last year showed a shave over  
3 two per cent.

4 Q. That is after taking in your coal  
5 operation?

6 A. No sir, that is entirely separate  
7 except for two coal mines which come under Dosco.  
8 The major part of the coal operations are in the  
9 Dominion Coal Company and are completely separated  
10 and not consolidated, and it showed a substantial  
11 loss -- \$1,800,000.00, to be exact, or thereabouts.  
12 But Dosco last year showed a shave over two ~~per cent.~~

13 Q. On net?

14 A. On sales, and just about the same  
15 amount on book investment capital.

16 Q. Less depreciation?

17 A. Less depreciation. Our net  
18 investment in facilities at the moment runs \$70 million  
19 to \$71 million. In order to operate that we have to  
20 run about 50 million to 52 million in working capital,  
21 so you come up to \$120 million to \$130 million -- in  
22 that area.

23 Q. What proportion of your plant is  
24 depreciated?

25 A. Of course, that takes place every  
26 year and we are constantly making new investments  
27 every year. So, I could not tell you in a moment  
28 what of the total investments made in the Sydney  
29 plant from 1900, roughly, until the present -- what  
30 part of that total amount has been depreciated.





1  
2 Q. Would you be good enough to send  
3 me, and I will file it -- or send the secretary of  
4 the Commission a copy of it -- what the return on  
5 net investment on the steel making operations of  
6 Dosco was for, say, the last five years?

7 A. Sure, I think we will be glad to  
8 give you that information, for the record of the  
9 Commission.

10 Q. Yes. There was one other question  
11 I was going to ask you ---

12 A. I should point out, with reference to  
13 this other thing which we will be glad to furnish  
14 you with, the last five years have been among the  
15 best five years in the steel industry that the steel  
16 industry in North America has ever known.

17 Q. I didn't know that.

18 A. I would like to have that in the  
19 record.

20 Q. It always seems -- you are to be  
21 complimented that you come here with such aggressiveness  
22 and have had such a good five years, because there  
23 are other people who have not.

24 A. I am looking forward to a pretty  
25 tough five years in the next five years though.

26 Q. Well, you have got a little fat to  
27 live on. There is one other question I did wish to  
28 turn your mind to, and that was this: I asked  
29 this question of Mr. Matheson and it was a question  
30 I gave you notice of. Have you considered that if







1                   forced  
2 you were ~~to~~ to move from the Maritimes by the very  
3 force of economic change, a direct subvention to  
4 Dosco could maintain steel production in the Maritimes,  
5 and Mr. Matheson said that is a matter of policy, and  
6 I am sure I asked him to draw this to your attention.

7                   A.     Yes, he did, sir.

8                   Q.     What is your view on that?

9                   A.     You would like to know my opinion  
10 or view on Dosco getting a direct subsidy. Well,  
11 of course, this gets into the matter of opinion and  
12 philosophy, of course, as you know and, personally,  
13 I don't think that that is the way Dosco should be  
14 given a subsidy. I think it is more difficult  
15 to administer and, generally speaking, I would much  
16 prefer to see, if there is going to be any help to  
17 the Maritime industries, Dosco included, I would  
18 prefer to see help given the way it has been given  
19 in the past, where the ~~modus~~ modus operandi is already  
20 set up. We have had the Maritime Freight Rates  
21 Assistance Act for many years, and the methods for  
22 handling it are set up. Everybody understands it.  
23 The Railroads understand how to operate with it,  
24 the industries understand their part in it, and it  
25 seems to me from the standpoint of national policy,  
26 if I may be so bold as to have an opinion on that,  
27 that the simplest thing to do would be to bring  
28 this Maritime Freight Rates Assistance Act up to  
29 date, if you want to call it that, so it does a  
30 better job in Maritime industry than it is now doing.





1  
2 Q. Mr. Fairley, in view of your answer  
3 I must ask you this: all Maritime industry does  
4 not have the same advantages or disadvantages?

5 A. Well, that is true.

6 Q. And by using transportation as a  
7 percentage or selective approach, this does extend  
8 more advantage, possibly, than is needed in some  
9 cases and less than is needed in others: wouldn't  
10 that follow?

11 A. Well, of course, I am speaking only  
12 for Dosco, and I don't know enough about the others  
13 to know whether that is true or not.

14 Q. But your answer to me was that you  
15 did not want to come to a direct subsidy to Dosco,  
16 that you wanted to have something that would put  
17 all Maritime industry in a basket, and then we  
18 took the next step that there were some industries  
19 who had more advantages or greater disadvantages  
20 than others.

21 A. I am sure that may be the case. I  
22 can't speak from experience, but I am sure that  
23 may be the case.

24 Q. So, the result of using transportation  
25 may very well result in a misallocation of  
26 transportation resources -- you might say; but, let  
27 us leave that: it may very well result in a mis-  
28 allocation of industrial and economic resources  
29 within Canada; would you agree with that?

30 A. Well, I would assume that that is







1  
2 the purpose of this Commission in that they are sitting  
3 to try to determine what is a proper way to distribute  
4 this thing. I certainly could not give you any  
5 answers right now, but I am sure this Commission in  
6 its wisdom will come out with some.

7 Q. Yes, thank you, Mr. Fairley. We  
8 have found on a number of occasions when you put  
9 these what might be referred to as questions that  
10 point up the basic issue of this Commission, that  
11 this Commission is going to solve them, and we are  
12 looking forward to them doing so because it does  
13 create quite a problem.

14 THE CHAIRMAN: Six wise men.

15 COMMISSIONER ANSCOMB: Mr. Fairley, would  
16 you be good enough to tell the Commission, when you  
17 talk about your foreign competition -- that is,  
18 foreign world competition -- and I may ask you some  
19 things you didn't want to answer Mr. Sinclair. If so,  
20 I am sorry for that, but notwithstanding you will deal  
21 with it?

22 THE WITNESS: Yes, sir.

23 COMMISSIONER ANSCOMB: What is the position  
24 as far as the Canadian market is concerned with  
25 reference to competition from overseas? What is your  
26 duty problem? What is the tariff problem?

27 THE WITNESS: Well, there is a duty on  
28 imported steel. It varies very sharply depending  
29 on the product.

30 COMMISSIONER ANSCOMB: When you say "product"







1  
2 you mean the quantity of type of product?

3 THE WITNESS: The type -- and the quantity;  
4 both. It is a moveable thing. I think last year --  
5 and I would like to ask Mr. Ellis for this figure --  
6 I think last year the average duty on imported steel  
7 was  $8\frac{1}{2}$  per cent.

8 MR. ELLIS: That is right.

9 THE WITNESS: Eight and a half per cent. Now,  
10 that levels out the thing -- some was more and some  
11 less. With this duty, though, somewhere between 20  
12 and 25 per cent of all the steel being consumed in  
13 Canada is imported. Now, this used to mainly come --  
14 and again I am speaking in generalities now -- to  
15 mainly come from the United States. However, the  
16 imports from the United States are going down  
17 steadily and the imports from the low wage countries  
18 are going up. The steel that is now imported from  
19 the United States is principally that steel which is  
20 not made in Canada. Of course, nobody can have much  
21 objection to that. If we are not making it, and we  
22 have to have it here, it is going to be imported.  
23 Whereas, the steel that is coming in from the so called  
24 low wage countries is mostly of the type and grade and  
25 size of steel that is made here in Canada, and it  
26 is directly competitive with us and with the other  
27 Canadian steel producers. So that, since this is  
28 growing, this import from the low wage countries is  
29 growing, it is giving us a great deal of concern,  
30 because we don't know where it is going to stop. In





1  
2 the United States they have the same labour rates, or  
3 even a little higher -- in fact, they are a little  
4 higher. So, we feel in the steel industry, at least,  
5 we can compete pretty well with the American steel  
6 industry, at least in Canada. We don't feel that we  
7 can properly compete with the European and Japanese  
8 steel industry even in Canada. I mentioned a figure  
9 that imports of steel into this country represented  
10 20 to 25 per cent of consumption: I used that  
11 level because it depends on whether or not you include  
12 all steel products. There are some things such  
13 as special forgings and so forth which are not included  
14 in certain DBS figures and which are included in  
15 these, but it does not include fabricated products  
16 such as an automobile. That is over and above. This  
17 figure of 20 to 25 per cent compares -- in the United  
18 States this year it is running about 1.3 per cent;  
19 1.3 per cent of its total consumption is imported.  
20 So, in Canada we have something of an economic problem  
21 there as far as the steel industry is concerned, and  
22 I am sure from reading the papers I see a lot of  
23 other industries have the same problem, but I am not  
24 speaking of them because I don't know what their  
25 specific problems are.

26 COMMISSIONER ANSCOMB: Could I put it  
27 to you this way, and tell me if I am correct or not:  
28 isn't it right that Canada as far as a nation is  
29 concerned is today bonusing coal to be shipped to  
30 Japan, and that Japan is taking from Texada Island







1  
2 off the coast of British Columbia some iron ore  
3 to be made into steel in Japan at the wages you speak  
4 of and to be brought back into Canada to compete with  
5 you or with your colleagues in central Canada. If  
6 that is so, how much sense is there in that?

7 THE WITNESS: Well, it is so, so far as I  
8 know. Certainly it has been published that, as you say,  
9 a bonus subvention is given on coal. Japan has  
10 imported quite a bit of iron ore from Texada Island.  
11 Whether they are doing it today, I can't answer  
12 that, but I would not be surprised if they are.  
13 They certainly are coming back in here and competing  
14 with us; there is no question about that. I suppose  
15 that when you get into looking at the thing, as far  
16 as exporting coal and ore, as far as Japan is concerned,  
17 the answer ultimately is that Japan is going, as  
18 long as we have our present tariff quota set up,  
19 to export to Canada, anyway, whether they buy our coal  
20 or ore or not. They are going to get it somewhere  
21 else. So, maybe we are doing the best we can to get  
22 something out of the coal and ore. I think that is  
23 one way to look at it because I think Japan will  
24 continue to export to this country in substantial  
25 amounts so long as it is expedient for them to do  
26 so. The Japanese will tell you that on the balance  
27 of payments they are buying more from Canada than  
28 we are from them.  
29  
30





1  
2 COMMISSIONER ANSCOMB: You will hear  
3 from the farmers that they don't want to buy his corn and  
4 his oats, but if he buys barley and makes beer, that is  
5 so much the better, of course.

6 Well, now, there isn't any doubt, is there  
7 that you are sitting, in my language, on the edge of  
8 a volcano because of the tariff problem, which may not  
9 sufficiently protect you against European competition,  
10 particularly when the so-called boom is over in Europe,  
11 and all those plants, particularly in West Germany,  
12 which have been expanded tremendously with allied  
13 money and help ---

14 THE WITNESS: Exactly.

15 COMMISSIONER ANSCOMB: --- will then be  
16 looking for overseas markets, the same as you are?

17 THE WITNESS: You are exactly right, and to  
18 them Canada is one of their overseas markets.

19 COMMISSIONER ANSCOMB: Will you tell me  
20 one other thing. You may not like this question, and  
21 if you don't don't answer it.

22 If you were sitting in your productive seat  
23 in Hamilton -- I am assuming that your competitor has  
24 a plant there, and he was in the centre of, let's say,  
25 eleven-seventeenths of the population of Canada, say,  
26 in his area, and you are one thousand miles down the  
27 street; what would you think, sitting there, if some-  
28 body came along from that one thousand miles and said,  
29 "We want the nation to pay a very large proportion of  
30 their freights so that he can get into my market"?







1  
2 In other words, let us assume, the figure  
3 will not be correct -- but, as a hypothetical case,  
4 he says to himself, "I am going to have to pay  
5 eleven-seventeenths of that chap's freight to come and  
6 compete with me." That is what it is, in effect.  
7 What would you think of that?

8 THE WITNESS: Well, I hesitate to put myself  
9 into the position of my good friends and competitors  
10 in Hamilton. I think that they would certainly have  
11 a pretty hard look at it, but what we are attempting  
12 to say here, if I might go just a little further, we  
13 do not expect, under the suggestions which we have  
14 made here in our submission, we do not expect to move  
15 into the backyard, as it were, of our competitors in  
16 Hamilton with an equivalent freight rate.

17 We do feel this, though, we do feel that our  
18 friends in Hamilton and to a slightly lesser extent  
19 our friends in Sault Ste. Marie have available to  
20 them in their backyards, as it were, a great steel  
21 consuming area, where some 59-odd per cent of all  
22 the steel in Canada is consumed. They have got the  
23 advantage on us there, no matter what happens. Our  
24 friends in the Soo, furthermore, have a very distinct  
25 advantage on all of us on the 14 per cent of the  
26 steel that is consumed in the western provinces.  
27 These are natural things and all right.

28 We do feel, though, that we should have a  
29 chance to get to the edge, at least, of the 23 per  
30 cent market in the Quebec area.







1  
2 THE CHAIRMAN: The fringe?

3 THE WITNESS: Fringe, on a competitive basis  
4 with our friends in Hamilton. Now, that is all we  
5 are asking in our submission. If we get to the fringe  
6 of this area, for this one part of the market which is  
7 on our -- at least, on our end of the economy -- put  
8 it that way.

9 COMMISSIONER ANSCOMB: I just want to ask  
10 you one other thing, which is purely hypothetical. If  
11 I could persuade you to come out to Vancouver Island or  
12 some part of the mainland of British Columbia -- you  
13 obviously would not go on Vancouver Island, for  
14 geographical and commonsense reasons -- anyway, if I  
15 could persuade you to come out there and start a  
16 steel plant, would you think it reasonable, then, to  
17 say that you want to be given this freight subvention,  
18 at least to the fringe of the Ontario market?

19 THE WITNESS: That is a pretty hypothetical  
20 question, Mr. Commissioner.

21 MR. SINCLAIR: There is a plant out there.

22 THE WITNESS: There is one there. There is  
23 one there, a small one, that supplies the local market,  
24 and there are other plants being built, as Mr. Sinclair  
25 knows, and as you do, too, in the central part of  
26 Canada. There are so many factors involved in that.  
27 It would have to do with the size of the plant, what  
28 they were making and what products they were making  
29 and whether they were particularly suitable to the  
30 western markets, or whether you were going to build a





1  
2 plant there with the intention of supplying the western  
3 market.

4 Any answer I would give you to that would not  
5 mean much, I am afraid.

6 COMMISSIONER ANSCOMB: Thank you very much.

7 THE CHAIRMAN: Mr. Cromwell?

8 MR. CROMWELL: Mr. Chairman, I think that  
9 completes our evidence in this hearing, and I want to  
10 thank the Commission very much for giving us their time,  
11 and I would also like to thank those who have possibly  
12 let us intervene to hear Mr. Fairley and the rest of  
13 our witnesses.

14 THE CHAIRMAN: Well, they are from Saskatche-  
15 wan.

16 MR. CROMWELL: Yes, they are good people.

17 THE WITNESS: Thank you, Mr. Chairman and  
18 members of the Commission.

19 THE CHAIRMAN: We will now break.

20  
21 ---Short recess.  
22  
23  
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GEORGE E. BRITNELL, recalled

CROSS-EXAMINATION BY MR. HUME (resumed):

Q. Dr. Britnell, when we adjourned before lunch I had asked you -- we were just at page 15315, and I wonder if you would be good enough now to look at the next page, 15316?

A. I have it.

Q. Starting at line 3, your answer in dealing with the matter of rate regulation, you indicate that in the view of the province of Saskatchewan the federal authority would determine maximum rates:

A. Yes.

Q. Then, you continue with this sentence:

"In the province's opinion it should also have power to be exercised on its own motion or on the basis of complaint to ensure that rates published by the trucker or any other transporter was less than compensatory."

A. There is a correction there.

MR. CARTER: That is one of the corrections which I advised the Secretary of this morning. The word "not" should be in before the word "less". That is line 8, page 15316. So it would read:

"In the province's opinion, it should also have power to be exercised on its own motion or on the basis of complaint to ensure that rates published by a trucker





1  
2 or any other transporter was not less than  
3 compensatory."

4 MR. HUME: Thank you, Mr. Carter.

5 Q. And then, again, Dr. Britnell, on  
6 page 15321 you repeat that, I think, at line 10, where  
7 you say:

8 "Financial stability would also be safe-  
9 guarded, at least to some extent, through  
10 the powers of the federal authority to  
11 disallow rates which were not compen-  
12 satory."

13 The question which arises out of that, in reading that  
14 evidence last night, it occurred to me that you seem  
15 to be putting the truck operator on the same basis as  
16 the railway in the sense that, why would a truck  
17 operator who cannot get a subsidy from the federal  
18 government, if he has a deficit, want to have a less  
19 than compensatory rate. He would go bankrupt,  
20 wouldn't he?

21 A Yes, I don't see how he could avoid  
22 it eventually. He might cause quite a lot of distur-  
23 bance to everybody else in the process, though.

24 Q. I am seeking now information, if I may.  
25 I think I know the situation in Ontario, but in  
26 Saskatchewan on most runs -- interprovincial runs --  
27 are there not two, three or even four trucking lines  
28 competing one with the other?

29 A. I think that is true on many of the lines.

30 Q. And if one of them, having only his





1  
2 own resources to fall back on, had rates which were  
3 less than compensatory and disappeared from the scene,  
4 there would be others who would carry on; isn't this  
5 the situation which exists in Saskatchewan?

6 A. Yes.

7 Q. I am just wondering why you think it  
8 would be necessary to worry about the less than com-  
9 pensatory nature of truckers, some of whom only  
10 drive their own truck, a small man operating a very  
11 small piece of free enterprise?

12 A. Well, I am just trying to ensure a  
13 condition or situation that would be fair to everyone  
14 in the transportation industry; the other truckers, as  
15 well as the railways.

16 Q. Oh, I see. So that, if I am an inter-  
17 provincial truck operator and due to the fact I am  
18 prepared to lose money for a year, or I have some  
19 technological advantage that I am able to take ad-  
20 vantage of, if I want to lower my rates you would not  
21 let me do that?

22 A. No, because -- not you, Mr. Hume, but  
23 whoever it is might have some Machiavellian intent of  
24 driving his competitors out by lowering them for a year  
25 and then achieve a monopoly.

26 Q. At the present time in the province of  
27 Saskatchewan doesn't the province regulate its rates?

28 A. We are not talking in terms of the  
29 province of Saskatchewan. This, we hope, will be  
30 a federal proposition, and we are not entirely concerned







1  
2 with the Cooperative Commonwealth in this respect.

3 Q. In Saskatchewan you do regulate the  
4 rates on your intraprovincial carriers, but do you  
5 regulate the rates on your interprovincial, in so far  
6 as the portion of the haul in Saskatchewan is concerned?

7 A. No, we do not.

8 Q. What you have in mind under your regula-  
9 tory authority is if you have, say, between Toronto and  
10 Montreal carriers, they are fairly substantial; if one  
11 of them wished to lower his rates and give the public  
12 some advantage of some improvement he was able to  
13 discover, you would not let him do that?

14 A. Would you repeat that, please?

15 Q. If between Toronto and Montreal you  
16 have eight or nine trucking operators carrying goods;  
17 if one of them wished to lower his rates because he  
18 wanted to lose money, or for any reason, you would not  
19 let him do that for fear of interfering with his com-  
20 petitors?

21 A. I would let him lower his rates right to  
22 the point where they become non-compensatory. I am  
23 not going to interfere with him before that. If he  
24 is going to cause undue commotion in the industry and  
25 give unfair competition, dislocate the industry, then  
26 I think there is legitimate ground for interference by  
27 this authority.

28 Q. So, if he wanted to go bankrupt, you  
29 wouldn't let him; you would keep him away from that by  
30 making sure his rates were non-compensatory?





1  
2 A. Yes.

3 Q. On page 1538 you talk about one of  
4 the things, on line 13, that encourages the operation  
5 of interprovincial trucks on a scheduled basis. Do I  
6 detect there is some problem in Saskatchewan where  
7 the interprovincial carriers do not operate on a  
8 schedule basis?

9 A. I was not thinking of any particular case  
10 at all. I thought it would add to the convenience  
11 of the public and put the truck hauler on a more  
12 comparable basis with rail. If that were done, it  
13 would be a convenience to the public.

14 Q. It is my understanding, sir, that any  
15 interprovincial movement across Canada is on a fairly  
16 scheduled basis: overnight service between Winnipeg  
17 and Regina, and it is five-day delivery service  
18 between Toronto and Vancouver, and trucks move on a  
19 fairly regular schedule, but they do not leave at a  
20 certain time. Is that what you have in mind; that  
21 they would leave at five after eight, and so on?

22 A. Perhaps not with the same meticulous  
23 care that all railway trains leave their stations, but  
24 something approximating that so that the public has  
25 a pretty fair knowledge of the schedules; of the  
26 approximate schedules.

27 Q. Have you any information that indicates  
28 the public are in any way dissatisfied with what is  
29 happening now, sir?

30 A. No, no direct evidence.







1  
2 Q. Thank you very much.

3 I understand that in connection with the  
4 question that was raised yesterday by Commissioner Mann  
5 on contract carriers, that you have made your statement  
6 on that this morning. I just want to ask you now to  
7 turn to page 15320 where you speak about abandonment.  
8 Line 5, Mr Carter's question:

9 "Q. Under Saskatchewan's proposed  
10 scheme, would the holder of an inter-  
11 provincial franchise be able at will  
12 to abandon some part of its service,  
13 or the route?"

14 Your answer was:

15 "A. No, he would not."

16 Again, as in the case of compensatory rates, Dr.  
17 Britnell, the situation intrigues me. If you have a  
18 small operator -- I am going to take the small man with  
19 two or three trucks running in the interprovincial  
20 service; if he finds he cannot keep going, does he  
21 have to go before a federal Board and prove that he  
22 is going to go bankrupt?

23 A. I do not know whether proof that he is  
24 going to go bankrupt is necessary. I think he should  
25 not be allowed to pull off or abandon the service with-  
26 out justifying his position to the federal authority.  
27 It may not call for an extremely formal hearing as  
28 to whether he should or should not, but he should have  
29 some reasonable excuse.

30 Q. Well, again, of course, I have to seek





1  
2 information. In Saskatchewan, in your interprovincial  
3 operation between your neighbouring provinces, it is  
4 my understanding that you have quite a respectable  
5 number of alternative carriers operating over the same  
6 routes. In other words, there is good competition  
7 between truckers. This is between Regina and Calgary,  
8 Saskatoon and Edmonton, and any place you want to  
9 mention?

10 A. I understand that to be so.

11 Q. If one of these operators, for some  
12 reason or other, is unable to carry on, as has happened  
13 in the past, wouldn't that -- shouldn't he be just  
14 permitted to surrender his franchise without any other  
15 consideration in view of the fact that there would be  
16 others who would carry on and no doubt applicants for  
17 a new franchise?

18 A. Yes, I think we have answered that part  
19 in the very next paragraph:

20 "The question would then in effect be  
21 whether the loss and inconvenience to  
22 the public consequent upon the abandonment  
23 outweighs the burden that continued opera-  
24 tion of the truck line would impose upon  
25 the truck company."

26 Now, if there were three other lines operating it would  
27 probably be small, a formal application to the regulatory  
28 authority -- that would be granted without very much  
29 further delay.

30 THE CHAIRMAN: You are thinking of the shipper?







1  
2 THE WITNESS: Yes.

3 COMMISSIONER ANSCOMB: Supposing it wasn't,  
4 what happens?

5 THE WITNESS: Well, I have confidence in the  
6 regulatory authority being sensible in these matters.  
7 If you are going to have any regulation at all you  
8 have got to assume, I think, Mr. Commissioner, a cer-  
9 tain degree of commonsense ---

10 THE CHAIRMAN: Sweet reasonableness.

11 THE WITNESS: --- of sweet reasonableness,  
12 thank you, Mr. Chairman.

13 COMMISSIONER ANSCOMB: That isn't quite the  
14 question. If they are very reasonable -- ultra  
15 reasonable -- if they say, "No, we won't allow you to,"  
16 and a man is going broke, I am asking you what happens.

17 MR. CARTER: I do not wish to interrupt,  
18 Mr. Chairman, but I am just wondering whether perhaps  
19 my learned friend and Mr. Britnell have gone beyond the  
20 particular question which was put at page 15320,  
21 which related to a possible abandonment of part of the  
22 service, or part, in effect, of the route. That is,  
23 specifically this answer to which my learned friend  
24 has referred Dr. Britnell was not as I put the  
25 question; in any event, directed to abandonment of  
26 an entire franchise, an entire route, an entire  
27 service, but part of any of those things.

28 COMMISSIONER ANSCOMB: But, Mr. Carter, I  
29 do not want to interrupt you, but you must face the  
30 facts of life, and the facts of life might be that the







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part the man wanted to give up was the part that was  
breaking him. All I am asking the doctor is to  
kindiy tell me what happens ir the Board says you  
cannot close up. He is ~~going~~ to go broke anyway.

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1  
2 THE WITNESS: I would think that the Board  
3 would be reasonable in all cases.

4 MR. HUME: Q. Dr. Britnell, the develop-  
5 ment that gave rise to the limitations and obligations  
6 on the railways, for which the trucking industry is  
7 in no way responsible, surely was on the basis that  
8 they had a monopoly rail line into that area and in  
9 some cases abandonment would strangle those areas.  
10 Now, in the trucking industry that is not the case;  
11 you have somebody operating the same routes?

12 A. I would concede immediately that the  
13 situation is not completely the same by any means.  
14 But, at the same time, the dislocation of business by  
15 abrupt abandonment of a particular segment of routes  
16 -- particularly it might so happen that the railway  
17 service had been discontinued by this competition --  
18 might have some pretty disturbing effects on business  
19 and commerce in that area.

20 Q. Well, the experience in Saskatchewan  
21 has been that where a truck operator can't carry on  
22 somebody else, and sometimes two or three, applies for  
23 the franchise?

24 A. Yes. But we are trying to go first  
25 of all just a little beyond Saskatchewan and to build  
26 for the future here, assuming that the trucking  
27 industry is going to be a large industry and a more  
28 significant part of the total transportation picture  
29 in the future. We don't think we can allow this  
30 industry to grow up just like Topsy.







1  
2 Q. So the chap who wants to go into the  
3 trucking industry isn't like the chap who wants to go  
4 into a barber's shop?

5 A. No, I think it is a different kettle of  
6 fish altogether. Here you are into a public utility.

7 Q. What about the contract carrier, the  
8 man who makes an agreed charge, if you like, or an  
9 agreed charge type of contract to carry certain goods  
10 of a contractor? Is he to be under the same obliga-  
11 tion?

12 A. No.

13 Q. Finally, Dr. Britnell, I just wonder  
14 whether or not I properly understood your answer at the  
15 bottom of page 15325 and over to 15326 where my  
16 learned friend was asking about Saskatchewan's view  
17 in connection with international truck operations, and  
18 your answer was:

19 "The province is unable to see that it  
20 would be possible to work out a scheme  
21 under which rates covering the Canadian  
22 portion of an international run could  
23 be controlled effectively in the sense  
24 of setting maxima -- and the word "drof-  
25 fing" appears -- non-compensatory rates.

26 MR. CARTER: I may be able to assist here.  
27 In the second line, sir, page 15326 the interesting  
28 word, if I may call it that, "droffing" appears. That  
29 should be "forbidding". Similarly, sir, in lines  
30 5, 6 and 7 the sentence that appears there presently





reads:

"Those tariffs which have been filed and published would be subject to control, entry, and so on."

The word "Those" in line 5 of that sentence should be "Thus". In line 6 the word "which" should be "would", and the word "entry" should be added after the word "published" in that same line and the word "entry" should be struck out where it appears in line 7. The sentence would then read:

"Thus tariffs would have to be filed and published, entry would be the subject to control, and so on."

MR. HUME: Thank you, Mr. Carter.

Q. I am only directing my attention to the first sentence at the moment, Dr. Britnell, in relation to the international operation. Now, it is my understanding that the Interstate Commerce Commission in the United States pretty effectively control the international truck operators that run up into Saskatchewan from the United States, do they not?

A. I don't know, Mr. Hume.

Q. Well, you indicate that Saskatchewan can't see the possibility of working out some scheme for these international carriers, and as they represent quite a substantial total of the federal carriers in Canada, I suggest to you that as the United States are able to regulate their operators and they get into trouble when they get home, the Canadian authority





1  
2 could operate the same control?

3 A. Yes.

4 Q. Now, my final question to you. If I  
5 may say, you have been very helpful in my, at least,  
6 better understanding of your brief. In connection  
7 with the highways in your province, the statistics as  
8 I have had a chance to read them -- and I am referring  
9 again to the Stanford Research Study -- show that  
10 the province has a large mileage of roads of all kinds?

11 A. Yes.

12 Q. Is it not so that the highway costs in  
13 your province are, generally speaking, somewhat less  
14 than in other portions of Canada?

15 A. Oh, yes, British Columbia, I am sure.

16 Q. I had an opportunity to review this  
17 study, this Stanford study, dated December 1959, in  
18 preparation for your brief, and I just want to ---

19 A. Of course, the Stanford Research  
20 Institute did not prepare our brief.

21 Q. The Stanford Research Study was prepared  
22 for your province, so it says, for the Industrial  
23 Development Office, at the request of your Government,  
24 and what I just want to know is whether or not, as the  
25 spokesman for your province, you agree with two things  
26 that they mention.

27 At page 120 the people who made this study  
28 had the following comment to make:

29 "The development of bituminous surfaced  
30 highways in all the prairie provinces and







1  
2 particularly in Saskatchewan and Alberta  
3 has facilitated an extensive freight  
4 movement by truck within the prairie  
5 provinces."

6 And then they refer to the table.

7 "The emphasis on shipments of manufactured  
8 goods is of particular interest to prairie  
9 ~~market~~-oriented industries, for while  
10 truck traffic has done little to alter  
11 interregional rail freight rates, it  
12 has served to reduce freight rates  
13 within the prairie region as well as  
14 provide more facilities for serving  
15 the prairie market more efficiently."

16 That is the end of the quotation. I wonder whether  
17 you could tell me it is the view of your province --  
18 whether you agree with that statement?

19 MR. CARTER: Would you like to have that  
20 before you?

21 THE WITNESS: Yes, I think I would like to  
22 read it.

23 MR. HUME: Q. I have underlined the portion  
24 I have read to you.

25 A. By and large, Mr. Hume, I think I would  
26 agree with it. But I think perhaps they add a little  
27 glow to it that I, being of a more conservative tempera-  
28 ment, would not feel like adding such words as  
29 "extensive freight movement". One of our difficulty  
30 was to get enough information on it or to get





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verification of the table. We could get no verification from the Dominion Bureau of Statistics.

Q. The people who made the study seemed to credit the table to the DBS?

A. Yes. If you look in the appendix, that is considerably qualified. So I think they filled in a few things themselves. That is the glow I referred to.

Q. Without knowing anything about the people -- it is addressed Menlo Park, California -- if they were preparing it for the Province of Saskatchewan perhaps they felt justified in ---

A. That may very well be so.

Q. At the summary on page 146 the people who made the study said the following:

"Good local transportation facilities are available. All major centres in the province are connected by paved highways. There is also a highly developed rail network and good air services to large cities; the tourist and mining areas in the north are serviced by four air lines."

And the last paragraph is:

"Living conditions in most Saskatchewan communities are good. Several of the larger cities have well-developed programs for urban development."

I add that because it seemed to be the end of the summary.

Would you agree with that quotation? No. 6 is







1  
2 the one to which I would direct your particular attention?

3 A. I think by and large the statement is  
4 correct. Again there is a little more enthusiasm  
5 about the goodness of the transportation facilities.  
6 The trouble is that these people lived in California  
7 and came up there for a spell. I suppose my disau-  
8 vantage is having lived there for a very substantial  
9 part of my life.

10 Q. You have had no background in the movement  
11 of goods over the highway?

12 A. Oh, no, except as a shipper.

13 Q. The Canadian Trucking Associations last  
14 April filed a brief in which they had certain recom-  
15 mendations for the regulation of trucking by a draft  
16 act. Your brief clearly sets out the differences of  
17 opinion. But in the preparation of your brief did you  
18 study the proposed Act that was submitted to the commis-  
19 sion?

20 A. We had a look at it. I don't know how  
21 intensive a reading has to be to be a study of it.  
22 We did look at it.

23 Q. Apart from the federal, you clearly indi-  
24 cate your preference for a central regulatory body. Was  
25 there anything else you took exception to on behalf  
26 of your province?

27 A. I can't recall.

28 MR. HUME: Thank you, Dr. Britnell.

29 MR. SINCLAIR: Mr. Chairman, just a few  
30 questions.





CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Dr. Britnell, I think you have indicated to my friend that you have spent most of your life in Saskatchewan?

A. Yes.

Q. And in addition to your profession as political economist you are also a grain farmer?

A. I wouldn't want to put it that high. I have a modest interest in a grain farm.

Q. You and your family have been interested in growing grain for ---

A. Fifty years.

Q. For half a century, and throughout that half century you have moved grain to export markets at the same rate?

A. Yes, not always. We had a painful interlude in 1922 and 1923.

Q. In this period to which you refer there were substantial inflationary factors?

A. Yes.

Q. That were given weight to in raising the rail rates?

A. Yes.

Q. And you agree that when that rate on grain was fixed the inflationary factors that have affected the value of the dollar were not in contemplation of the parties?

A. I beg your pardon?

Q. The inflationary factors that have taken





1  
2 place in the last half century were not in contemplation  
3 of the parties?

4 A. I don't know whether they were or not.  
5 There have been inflationary factors before, and pro-  
6 sumably they could happen again.

7 Q. Dr.Britnell, in 1897 when that rate  
8 was fixed the monetary policy was on the gold standard?

9 A. Yes, it was.

10 Q. And even in 1925 when the statutory  
11 level became operative and the amendment to the Railway  
12 Act was made, people were gold standard conscious at  
13 that time?

14 A. Yes

15 Q. And the departure from the gold standard  
16 in our monetary way of life has had a material effect  
17 on the fixed level?

18 A. I am not sure of that, because you  
19 could have had all sorts of changes, and there have  
20 been over the years that Great Britain was on the  
21 gold standard; you had very substantial changes.

22  
23 Q. And they tried to bring it back on the  
24 gold standard and it didn't work?

25 A. Yes. That was for many other reasons  
26 which would keep us here all night going into.

27 Q. You have been a witness in other cases?

28 A. Yes.

29 Q. And, indeed, you were the spokesman for  
30 the whole three prairie provinces on this question of







1  
2 grain and the historical aspects of it, grain to export  
3 positions, in March 1950, before the Turgeon Commission?

4 A. Yes, I believe I had that distinction.

5 Q. In preparation of presenting your views  
6 did you take occasion to reread the presentation you  
7 made at that time?

8 A. I am afraid I forgot it.

9 Q. Your history seems to have it ---

10 A. I re-read the brief which I submitted.  
11 I don't believe I re-read the cross-examination which  
12 you conducted at that time.

13 Q. Would you look at page 2 of your volume,  
14 submission to this Commission, Historical Analysis of  
15 the Crow's Nest Pass Agreement and Rates?

16 A. Yes.

17 Q. And follow with me, would you, at page 2.  
18 It is headed "The Crow's Nest Pass Agreement", and I am  
19 going to read from the transcript of the Royal Commission  
20 on Transportation, Volume 104, and you tell me to stop  
21 if there is a difference:

22 "Crow's Nest Rates were introduced by  
23 the Canadian Pacific Railway in conformity  
24 with an agreement made under an Act of the  
25 Federal Government . . ."

26 A. It isn't the same as here.

27 Q. That is right, not yet. I will hurry  
28 along to where it is the same.

29 "Crow's Nest rates were introduced  
30 by the Canadian Pacific Railway in





1  
2 conformity with an agreement made under  
3 an Act of the Federal Government in 1897  
4 (Statutes of Canada, 60-61 Vic., c. 5).  
5 The Government agreed to grant the C.P.R.  
6 a subsidy of \$11,000 per mile, but not  
7 exceeding a total of \$3,630,000 for the  
8 construction of a railway from Lethbridge,  
9 Alberta, through the Crow's Nest Pass to  
10 Nelson, British Columbia. The C.P.R.  
11 on its part agreed to build the railway  
12 to specifications as to standard,  
13 location and time; it agreed to permit  
14 control of certain of its rates; and it  
15 agreed to introduce specific reductions  
16 in certain other rates. The latter  
17 rates as reduced in accordance with  
18 the agreement have come to be known as  
19 'Crow's Nest' rates. The rate changes  
20 agreed to by the C.P.R. were the following:"

21 (a), (b), and I think if you will read along here you  
22 will find that the language, even to punctuation, has  
23 a similar ring?

24 A. Yes, with a few changes.

25 Q. You have improved it.

26 A. I hope we have. I make no apologies  
27 for doing that either, since this is a purely factual  
28 account of what happened, and it seemed silly to change  
29 the words.  
30







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Q. Please don't misunderstand me. In writing your historical analysis you, I would suggest, have used material which you prepared before as a base, but I am suggesting to you that you didn't give weight to the evidence other than your formal presentation, I take your answer to be -- the cross examination?

A. Yes.

Q. You didn't review that?

A. No.

Q. But you were pretty knowledgeable of the western scene when you appeared in 1950?

A. I knew something of what was happening.

Q. And pretty knowledgeable about the reactions of the western Canada farmers' proposals?

A. I think so.

Q. And they haven't changed materially?

A. No, not with respect to the Crow's Nest Pass rates.

Q. Thank you very much for that, Dr. Britnell, and I only have a few minutes now, and I want you to turn now to deal with volume 89 -- and I will bring you back to volume 104 of the other transcript in a minute. In answer to my friend Mr. Cumming you suggested that your proposal for a national transportation subsidy as you discussed it at page 15333. -- maybe I should read the whole question and answer:

"Q. Now that you have mentioned it, Dr.





1  
2 Britnell -- and I will come back to this  
3 general question of your transportation  
4 subsidy in a few moments -- and now that  
5 you have put it in terms of a western-  
6 Maritime Freight Rates Act, do you  
7 envisage the mechanics of it as operating  
8 in the same way as the present Maritime  
9 Freight Rates Act?

10 A. As far as we are concerned, I think  
11 we would wish some changes in that I  
12 think it should involve or should cover  
13 all traffic moving into and out of the  
14 western area with the exception, of course,  
15 of that traffic which is already moving  
16 at statutory rates, together with  
17 movements of traffic inside of the area --  
18 with that qualification."

19 That was your answer?

20 A. Yes.

21 Q. And that is your submission to the  
22 Commission?

23 A. Yes.

24 Q. Dr. Britnell, why did you make an  
25 exception for the statutory rates on grain?

26 A. Because we are reasonable men and  
27 we didn't feel that we have any serious quarrel  
28 with the present arrangements. We don't want to  
29 go to Parliament to ask them to change it, and we  
30 don't want other people to do that either.





1  
2 Q. But you would not have any objection  
3 following the principle of the Maritime Freight Rates  
4 Act to have the Board of Transport Commissioners fix what  
5 would be a normal or a reasonable, normal level?

6 A. Oh yes, we would, on the statutory  
7 rates. We don't want the Board of Transport  
8 Commissioners to touch them. We don't want them to  
9 lower them, even; I will go that far.

10 Q. Have you changed your view in this  
11 regard since 1950?

12 A. I couldn't say. I am sure you will  
13 refresh me on what I did say.

14 Q. I certainly will, Dr. Britnell. So  
15 that there will be the full matter before you, I  
16 am now referring to the transcript of the Turgeon  
17 Royal Commission, the Royal Commission on Transportation  
18 Volume 104 which is the transcript of the proceedings  
19 of March 27th, 1950, and I want to refer you to three  
20 parts. Page 19208 is the first page, and it is in  
21 answer to Commissioner Angus:

22 "Commissioner Angus: Dr. Britnell.  
23 arising out of the historical analysis.  
24 did you find that in the negotiations of  
25 1897 and the parliamentary debates, that  
26 consideration was given to the possibility  
27 of financing a war by inflation or  
28 resorting to inflation for any other  
29 purpose?

30 A. No.







1  
2 Q. Were the agreements made on the  
3 assumption of a fairly stable currency?

4 A. I think they probably were.

5 Q. And then when the inflation occurred,  
6 were the adjustments made by legislation  
7 to substitute some other arrangement for  
8 the earlier one, in order to take account  
9 of that inflation?

10 A. Yes, I think that was undoubtedly  
11 a consideration which led Parliament in  
12 1925 to cancel the rates on products  
13 moving west. I certainly think that was  
14 a consideration affecting their decision  
15 at that time."

16 That is one point. The next one is at  
17 page 19219, and this is more important, so maybe  
18 we could read it together:

19 "Mr. Covert Q: If that is so, would  
20 it not be your view that if they are  
21 carrying a particular product, especially  
22 one which involves such a large volume  
23 of traffic, at rates which are non-  
24 compensatory, the national government  
25 should....

26 A. Yes.

27 Q. ...subsidize that, if that proved  
28 to be the case?

29 A. Yes.

30 Q. That is your view?





1  
2 A. Yes."

3 In the next part, we have to read a little  
4 more, and I am putting it all in context. This is  
5 at page 19242, and I think possibly this is my  
6 question:

7 "Q. If the Board of Transport  
8 Commissioners were directed by statute  
9 to make an inquiry into the cost of moving  
10 grain to Lakehead and it fixed rates  
11 that returned to the railways something  
12 more than that cost of movement, you  
13 still think the western farmer would  
14 object?

15 A. Definitely.

16 Q. And if the legislation also provided  
17 that any burden that he bore ---

18 THE CHAIRMAN: Any what?

19 MR. SINCLAIR: Q: Any burden that the  
20 farmer bore in connection with paying  
21 a rate such as I have outlined, would  
22 be taken up by subsidy which would be  
23 paid at the time he received his cheque  
24 from the Wheat Board? Would he object  
25 then?

26 A. Yes.

27 Q. He seems to be objecting to  
28 everything. Do you think that is a fair  
29 statement?

30 A. No.







1  
2 THE CHAIRMAN: Now, you are talking of  
3 the subsidy paid to the shipper, are you?

4 MR. SINCLAIR: Yes.

5 THE WITNESS: Yes.

6 MR. MacPHERSON: Paid, that is, to the  
7 industry?

8 MR. SINCLAIR: The subsidy to the industry,  
9 yes.

10 THE CHAIRMAN: Well, then, what Dr. Britnell  
11 objects to, he says ---- "

12 And you interrupted the chairman to make  
13 clear your view, and you say this:

14 "THE WITNESS: It would be inconsistent  
15 with the entire approach of the prairie  
16 provinces that the railways are instruments  
17 of national policy, and that if any  
18 adjustment is necessary the adjustment  
19 should be made to the railways themselves.

20 MR. SINCLAIR Q: You think that that is  
21 the view of the western farmer, do you?

22 A. Yes.

23 Q. In all provinces?

24 A. Well, I have not consulted the whole  
25 300,00 of them, but I think it is.

26 Q. But you have consulted their  
27 representatives?

28 A. I have consulted their representatives  
29 I think it is substantially their point  
30 of view."





1  
2 Now, the Chairman made it abundantly  
3 clear, and so did Commissioner Angus by the following:

4 "THE CHAIRMAN: Do you say that  
5 your people agree with the principle of  
6 the Maritime Freight Rates Act?

7 A. Yes. That is, I am talking now  
8 for the province of Saskatchewan on that  
9 particular point, the Maritime Freight  
10 Rates Act.

11 COMMISSIONER ANGUS: And they would not  
12 object to the Board of Transport Commissioners  
13 assessing the sort of normal rate?

14 A. No.

15 Q. For the purpose of measuring the  
16 subsidy?

17 A. No."

18 Now, at that time, Dr. Britnell, the  
19 Canadian Pacific Railway -- and they had the support  
20 of some shippers and receivers of freight -- were  
21 suggesting to the Turgeon Royal Commission that the  
22 Crow's Nest or statutory provisions -- call them  
23 which you will -- in the Railway Act should be  
24 deleted; they should be repealed, and it was the  
25 position of Canadian Pacific that farmers should  
26 pay on their grain moving to export positions on  
27 the same basis as other traffic was moving on the  
28 railway. And further -- and this is the important  
29 point -- that if the western farm economy -- the  
30 grain-growing economy of the west -- under any







1  
2 particular circumstances needed some special assistance,  
3 that special assistance should be paid to the western  
4 farm grain-growing economy directly, and it was  
5 the position of you on behalf of the governments  
6 of the prairie provinces that this was not acceptable  
7 because you objected to a subsidy being paid directly  
8 to the farm community; correct?

9 A. Yes.

10 Q. And you said -- it is on record now  
11 in this volume -- that it should be paid to the railways,  
12 that the control of parliament over the rates and  
13 their levels should remain, and that you had no  
14 objection to the Board of Transport Commissioners  
15 fixing the normal level and having the difference ---

16 A. I think the normal level clearly  
17 refers in the last part of that statement which you  
18 read to the level of the subsidy under the Maritime  
19 Freight Rates Act after it had been extended to  
20 western Canada, and not to the Crow's Nest Pass rates.

21 Q. Well now ---

22 A. That is my reading -- that is my  
23 assumption from your reading it.

24 Q. That is why I read you two pages to  
25 point out to you this was all directed towards grain.

26 A. That is eleven years ago, and my  
27 memory is a little defective.

28 Q. I will certainly allow you to look  
29 at the record ---

30 MR. CARTER: If this is going to be a matter







1  
2 of some importance, I suggest these entire volumes  
3 of the Turgeon transcript containing this cross-  
4 examination might be filed. I, of course, had  
5 nothing to do with Turgeon and have only briefly  
6 come in here. I, myself, did read through the  
7 cross-examination having to do with Crow before  
8 Turgeon. It seems to me it is a matter of argument  
9 as to the interpretation to be placed upon this  
10 particular portion of the evidence given before  
11 Turgeon. For what this is worth -- and I am not  
12 saying it is worth very much -- I interpret that  
13 particular portion of the transcript to which Dr.  
14 Britnell has been referred ---

15 MR. SINCLAIR: Never mind how you interpret  
16 it. It is how the witness interprets it, in my  
17 respectful submission.

18 THE CHAIRMAN: Mr. Carter, all the Turgeon  
19 evidence is in the library here, and you can see that,  
20 and I am sure Dr. Britnell would want to see it again.

21 THE WITNESS: Yes, I would like to.

22 THE CHAIRMAN: And we can adjourn now  
23 until 10:00 o'clock tomorrow morning.

24 MR. SINCLAIR: It was for this reason I  
25 brought it up because I was going to suggest to  
26 the witness he might want to view it overnight.

27 MR. CARTER: We appreciate that very much.

28 MR. SINCLAIR: I should say this, Mr.  
29 Chairman -- and this has nothing to do with the  
30 cross-examination of Dr. Britnell -- but it has to do





1 with the proceedings before the Commission. I speak  
2 to it because some of my friends, including Mr.  
3 Carter, have asked me in particular whether I am  
4 going to avail myself of the kind offer of the  
5 Commission to ask Mr. Stechisin to stand down when  
6 he produces his evidence. I have considered this,  
7 Mr. Chairman, and I recognize the desire of the  
8 Commission -- and it is no greater than my own, I  
9 am sure -- to complete the hearings and to get on  
10 and finish your work, and while I recognize that  
11 Mr. Mauro did make this offer also -- and I appreciate  
12 that personally -- the delays that have taken place  
13 and the prejudices to my client move me to say when  
14 Mr. Stechisin is finished and when it comes my  
15 turn we will do the best job we can in cross-examining  
16 to assist the Commission.

17 THE CHAIRMAN: Thank you, Mr. Sinclair.

18 ---Adjournment.  
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*House of Commons*

# ROYAL COMMISSION

ON

## TRANSPORTATION

### HEARINGS

HELD AT

OTTAWA

VOLUME No.:

DATE:

91

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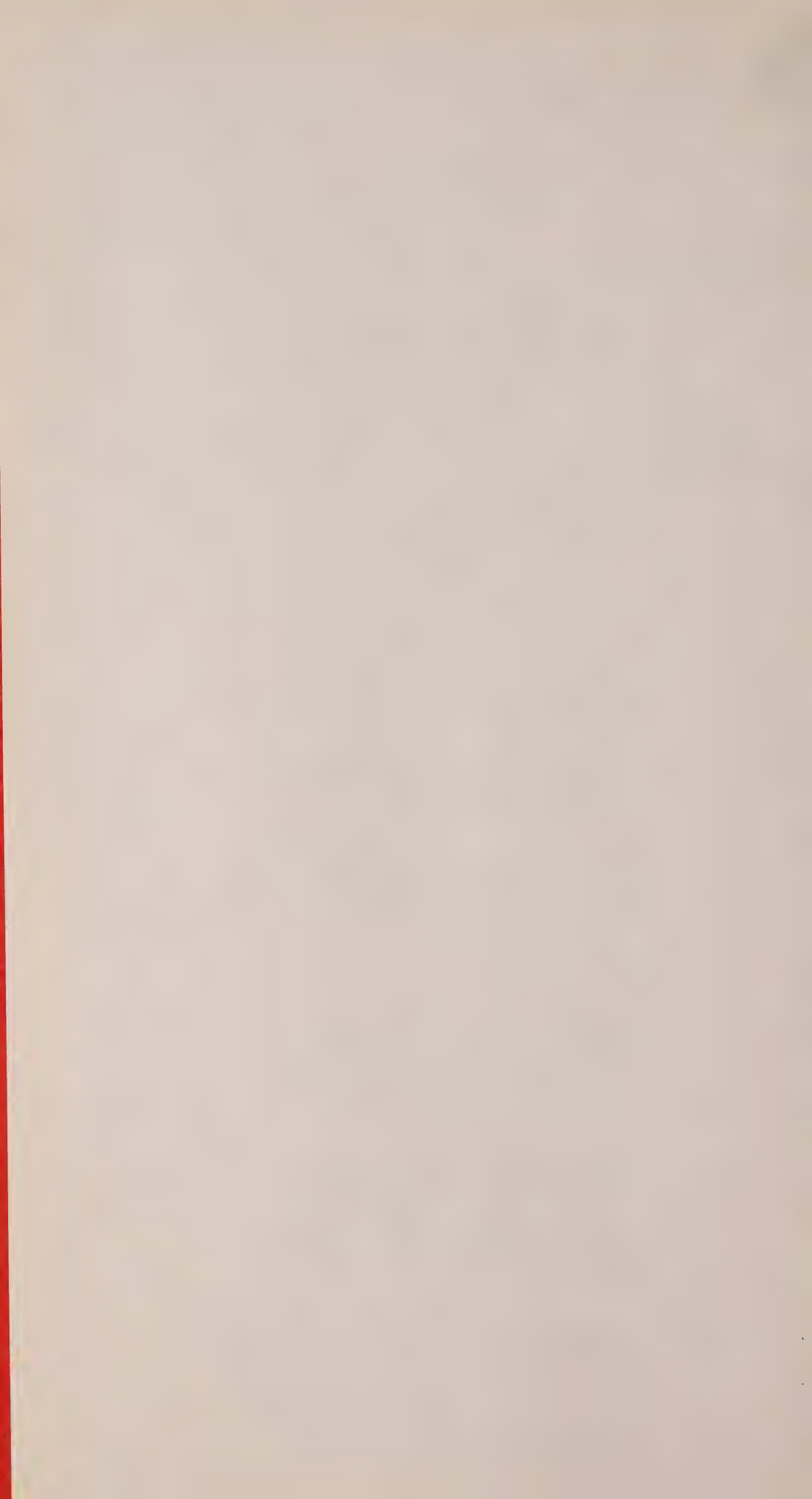
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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in  
the Court Room, Board of Trans-  
port Commissioners Offices,  
Ottawa, Ontario, on the 21st  
day of September, 1960.

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Major N. Lafrance	Assistant Secretary







1  
2 ---On commencing at 10.00 a.m.

3  
4 THE CHAIRMAN: Order, please.

5 I think I should say before we start that  
6 we will be sitting all next week, and after Manitoba  
7 we will have Mr. Saunders in chief.

8 MR. SINCLAIR: Well, Mr. Chairman, now that  
9 you have said that we must necessarily -- and I am  
10 sorry to find myself in this position constantly of  
11 objecting -- but we must object to Mr. Saunders'  
12 evidence being received. We made our position on  
13 Manitoba clear, and in view of the views of the Com-  
14 mission, their attitudes, we have undertaken, and  
15 Mr. McDonald also is in this position, of his going on with  
16 Mr. Stechishin.

17 THE CHAIRMAN: The idea was that he be  
18 examined in chief.

19 MR. SINCLAIR: Well, of course, Mr. Chairman,  
20 it is all very well to put something in in chief and  
21 then I don't know when he will be back. We are  
22 looking for his Volume II, and what I suggest to  
23 this Commission is that he has got to come back,  
24 well then why doesn't he present his Volumes I and II  
25 at the same time so that we are not trying to deal with  
26 one interrelated part. We have only had a very  
27 cursory look at his Volume I. Indeed, I was informed  
28 this morning that two crucial maps on that volume  
29 would not be available, at the earliest, until Friday.  
30 We had people in Washington yesterday looking at some





1  
2 of his working papers, and I am instructed, as a  
3 minimum, to look at these working papers and deal  
4 with them and analyse them, a minimum of five or  
5 six days is required by our staff.

6 Now, I told them not to do it because we  
7 are surely not going to put the staff to the work of  
8 doing it one time and doing it another time. My  
9 suggestion to the Commission is that, to assist the  
10 Commission in proceeding in an orderly manner, I said  
11 we would continue with the cross-examination of Mr.  
12 Stechishin. We are engaged in doing what we can on  
13 that. There is quite a bit of pressure involved in  
14 doing it.

15 Now, Mr. McDonald is in the same position as  
16 I am. That is correct?

17 MR. McDONALD: That is right.

18 MR. SINCLAIR: And he is prepared to con-  
19 tinue with the examination of Mr. Stechishin. It  
20 would rather appear that Mr. Stechishin -- and I am  
21 relying on my friend; I had a discussion with him and  
22 he feels that Mr. Stechishin would be finished his  
23 in-chief and the addendums he is putting in on the  
24 material by Friday, if we get started today, which I  
25 think we will; and that we would then proceed.

26 Commission counsel Mr. Cooper, who has not  
27 been here for the last couple of days because he is  
28 there, out of the court room, working on Manitoba's  
29 submission -- of course Mr. McDonald and I were here  
30 in the court room trying to be of what assistance we







1  
2 could be to the Commission, and the only time we have  
3 to work is at night.

4 THE CHAIRMAN: All we are concerned with is  
5 getting on with the job.

6 MR. SINCLAIR: Well, my suggestion to the  
7 Commission, Mr. Chairman, is to tell Mr. Saunders,  
8 "There is no use you coming here on Monday and inter-  
9 rupting in the middle of what we are doing and what  
10 we are doing with respect to Manitoba; come when you are  
11 going to put your whole material before this Commission."

12 MR. McDONALD: I agree, Mr. Chairman, with  
13 what Mr. Sinclair has said. I think we should have  
14 the full case, Volumes I and II, and certain maps which  
15 we have not got yet.

16 I do not see what is going to be added by  
17 reading in Volume I. Wait until we get Volumes I and  
18 II and put the whole thing in.

19 THE CHAIRMAN: Have you been in touch with  
20 Mr. MacKimmie?

21 MR. SINCLAIR: Mr. McDonald and I wired Mr.  
22 MacKimmie and told him this, and he said Saunders says  
23 they are not interrelated. That is what Saunders says.  
24 We say they are.

25 Then, he says, in any event if you are em-  
26 barrased; if you are not prepared to go on, I agree that  
27 anything you think is interrelated you may defer the  
28 cross-examination on.

29 Well, Mr. Chairman, we are just not, respect-  
30 fully, we should not be put in that position of picking





1  
2 choosing. So that our position would be that we  
3 would not touch Mr. Saunders. If the Commission wants  
4 to say, "Well and good, don't touch him, that's fine.  
5 The Commission has heard his submission. That's  
6 enough. You have had your opportunity" -- very well,  
7 we will bow to the ruling of the Commission in that  
8 regard, but we do not think it is fair. We may as  
9 well say that. After all, we have had some experience  
10 in the transportation business in Canada, and we have  
11 been here a long time.

12 THE CHAIRMAN: Well, will you go on with  
13 Dr. Britnell?

14 MR. SINCLAIR: Yes.

15 CROSS-EXAMINATION BY MR. SINCLAIR (resumed):

16 Q. Dr. Britnell, just before the adjourn-  
17 ment last evening I had made reference to your evidence  
18 before the Turgeon Royal Commission in 1949 to 1950,  
19 and I made reference to those pages in which there  
20 were three points: the first with respect to the gold  
21 standard and the contemplation of the parties as to  
22 inflation when the fixed grain rates were made; secondly,  
23 which arose out of your cross-examination by Commission  
24 Counsel Mr. Covert, that having to do with payment of  
25 a subsidy to the railways for the carriage of grain.  
26 Your view was, as I read it, that that should be done.  
27 And, further from that, and arising out of some ques-  
28 tions I was putting to you, followed by questions put  
29 by the Chairman of the Commission and Commissioner  
30





1  
2 Angus as to the mechanics of measuring the subsidy of  
3 grain in relation to the Maritime Freight Rates Act.

4 Now, you have had an opportunity over the  
5 evening to consider this material?

6 A. Yes.

7 Q. Then, would you like to comment on it?

8 A. Yes, I would, Mr. Sinclair.

9 MR. CARTER: If I might just interrupt for  
10 a moment, Mr. Chairman. I did not know when you ad-  
11 journed last night just what use my learned friend  
12 proposed putting these excerpts to from the Turgeon  
13 Commission. If my learned friend, as I now see his  
14 point, proposes to have the witness comment on those  
15 portions which he read, then there are certain other  
16 portions of the testimony given.

17 THE CHAIRMAN: There will be cross-examina-  
18 tion and re-examination by you.

19 MR. CARTER: What I am coming to, Mr. Chair-  
20 man, is this: that on my instructions I do not think --  
21 Dr. Britnell will speak for himself -- but on my  
22 instructions I do not think Dr. Britnell will be  
23 able and ready to answer the question put by my  
24 learned friend, namely, "Will you comment on that?"  
25 without making reference to certain other portions of  
26 other evidence before Mr. Justice Turgeon.

27 THE CHAIRMAN: He can do that.

28 MR. CARTER: To simplify it, if I now were  
29 to refer the Commission and my learned friend to these  
30 other portions, which I am ready to do, or, if you







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wish, the witness might refer to it.

THE CHAIRMAN: He can handle himself.

MR. SINCLAIR: I do not know how long Mr. Carter has known the witness, just to know how well he can handle himself ---

MR. CARTER: We know each other very well.

MR. SINCLAIR: Q. Could you tell this Commission how many Royal Commissions you have either been a witness before or a part of in the last twenty-five years?

MR. CARTER: Take your time in answering now.

MR. SINCLAIR: Q. Just roughly?

A. Well, Mr. Chairman, I can do that, with some blushing, very quickly. I have been a chairman of two Royal Commissions; I have been a member of two others; and I have appeared as a witness before four Royal Commissions.

Q. Dr. Britnell, I did tell you also -- and I thought your counsel agreed -- that the purpose -- and I set these questions up to you so we may have them here. I take you to page 15477 of Volume 90:

"Q. But you were pretty knowledgeable of the western scene when you appeared in 1950?

"A. I knew something of what was happening.

"Q. And pretty knowledgeable about the





1  
2 reactions of the western Canada farmers to  
3 proposals?"

4 And I would like that correction noted on the record,  
5 as I read it:". . . to proposals.

6 "A. I think so.

7 "Q. And they haven't changed materially?

8 "A. No, not with respect to the Crow's  
9 Nest Pass rates."

10 Now, that is the reason for my drawing your attention  
11 to evidence that was given by you to the Turgeon  
12 Royal Commission.

13 A. Yes. Well, I think I can best inter-  
14 pret the whole structure or all of the passages which  
15 Mr. Sinclair gave me, Mr. Chairman, by just going back  
16 perhaps half a page, to page 19241 in the Turgeon  
17 Commission evidence in which Mr. Sinclair was cross-  
18 examining me, in which he said:

19 "Q. And would the western provinces  
20 be prepared to support a rate for the move-  
21 ment of grain that would give us something  
22 more than the cost of moving the commodity?

23 "A. No, the western provinces would  
24 never agree to consider grain entirely by  
25 itself in the narrow and restricted sense  
26 of the assumptions which you ask me to  
27 make and in the terms of the question.  
28 Now, I am interpreting western opinion,  
29 I am afraid.

30 "Q. You haven't consulted about it?







1  
2 "A. Very definitely. I say I am  
3 interpreting western opinion there and I  
4 know it is the position of all the people  
5 I have been associated with.

6 "Q. You would not agree with me  
7 that the western farmer is prepared to pay  
8 a cost for moving grain from the elevator  
9 to lakehead that would return to the rail-  
10 ways something more than the cost of moving  
11 that commodity?

12 "A. Well, he refuses to accept the  
13 dilemma in which you try to place him by  
14 paying rates on grain. He wants to tag  
15 along with parliament, and that is why he  
16 is so confident of parliamentary control.  
17 He wants to take the proper national approach.

18 "Q. In other words, to make somebody  
19 else help him to carry the burden?

20 "A. That is not it, and that would  
21 be an implication that he would resent.

22 "Q. He would?

23 "A. Because he looks upon the railways  
24 as instruments of national policy with the  
25 tariff that is the first time it has been men-  
26  
27 tied in and any attempt to put him  
28 into a position of that sort would meet  
29 with a good deal of, I think, just resent-  
30 ment."





1  
2 And, then, Mr. Sinclair continues with  
3 the passage which he read last night:

4 "If the Board of Transport Commissioners  
5 were directed by statute to make an inquiry  
6 into the cost of moving grain to lakehead  
7 and it fixed rates that returned to the  
8 railways something more than the cost of  
9 movement, do you still think the western  
10 farmer would object?

11 "A. Definitely.

12 "Q. And if the legislation also pro-  
13 vided that any burden that he bore --

14 "The Chairman: Any what?

15 "Mr. Sinclair: Any burden that the  
16 farmer bore in connection with paying a  
17 rate such as I have outlined would be taken  
18 up by subsidy which would be paid at the  
19 time he received his cheques from the  
20 Wheat Board. Would he object then?

21 "A. Yes.

22 "Q. He seems to be objecting to  
23 everything. Do you think that is a fair  
24 statement?

25 "A. No.

26 "The Chairman: Now, you are talking of  
27 the subsidy paid to the shipper?

28 "Mr. Sinclair: Yes.

29 "The Witness: Yes.

30 "Mr. MacPherson: Paid, that is, to the





1  
2 industry?

3 "Mr. Sinclair: The subsidy to the  
4 industry, yes, . . .

5 "The Chairman: Well, then, what Dr.  
6 Britnell objects to he says . . . "

7 --- and I hadn't heard the Chairman, who was  
8 a soft-voiced man, as everyone here knows who heard  
9 him -- and I continued:

10 "It would be inconsistent with the  
11 entire approach of the prairie provinces  
12 that the railways are instruments of national  
13 policy, that any adjustment is necessary,  
14 the adjustment should be made through the  
15 railways themselves."  
16 That is, in terms of national subsidy is what I meant.

17 Q. That isn't what you said.

18 A. Well, I had just mentioned national  
19 policy in the same sentence. I didn't want to have  
20 national policy twice in the same sentence.

21 Q. Of course, there is quite a difference  
22 between national policy in the way you used it, I  
23 suggest, and what you have just added. But, in any  
24 event, what you have just added wasn't there?

25 A. No.

26 "Mr. Sinclair: Q. You think that  
27 that is the view of the western farmer,  
28 do you?

29 "A. Yes.

30 "Q. In all provinces?







1  
2 "A. Well, I have not consulted the  
3 whole three hundred thousand of them, but  
4 I think it is.

5 "Q. But you have consulted their repre-  
6 sentatives?

7 "A. I have consulted their repre-  
8 sentatives. I think it is substantially  
9 their point of view."

10 Then, and this, Mr. Chairman, is a most  
11 interesting non-sequitur, the Chairman broke in and  
12 said:

13 "Do you say that your people agree  
14 with the principle of the Maritime Freight  
15 Rates Act?"  
16 That is a complete break from the discussion of Crow.

17 "A. Yes. That is, I am talking  
18 now for the province ---"

19 Q. Pardon me?

20 MR. CARTER: Let him finish his answer.

21 MR. SINCLAIR: Q. Just so the record  
22 will be clear, when you say "That is a complete break  
23 from the question of Crow", that does not appear in  
24 this record of the Turgeon Commission?

25 A. Oh, no, no.

26 Q. That is what you are saying now?

27 A. That is my interpretation of it; yes,  
28 that is my interpretation of it.

29 Q. Yes?

30 A. "The Chairman: Do you say that your





1  
2 people agree with the principle of the  
3 Maritime Freight Rates Act?

4 "A. Yes."

5 And, then, I very carefully stepped out of the  
6 position of being the witness for the three prairie  
7 provinces and came down to the position of being the  
8 witness of the Province of Saskatchewan, which was the  
9 only province I could speak for on our suggestion with  
10 respect to the extension of the Maritime Freight Rates  
11 Act to western Canada, and I said:

12 "Yes. That is, I am talking now  
13 for the Province of Saskatchewan on that  
14 particular point, the Maritime Freight  
15 Rates Act.

16 "Commissioner Angus: And they would  
17 not object to the Board of Transport Com-  
18 missioners . . ."

19 Q. Pardon me, Dr. Britnell, and "they  
20 would agree" means the farmers of western Canada?

21 A. Well, that is ---

22 Q. Correct.

23 A. Yes, I think so.

24 "And they would not object to the  
25 Board of Transport Commissioners assessing  
26 the sort of normal rate?

27 "A. No.

28 "Q. For the purpose of measuring  
29 subsidy?

30 "A. No."







1  
2 Now, I think, Mr. Chairman, that any reading  
3 of this -- I am much more convinced than I was last  
4 night, when it was sprung on me rather cold, that the  
5 Chairman was talking about something entirely different  
6 than the proposal, or the Crow's Nest Pass rates; that  
7 he had moved over to the Maritime Freight Rates Act.  
8 And I very carefully, and I think responsibly, separated  
9 myself from the provinces of Manitoba and Alberta,  
10 for whom I could not speak on that particular issue.  
11 In fact, they had indicated one or two reservations  
12 about it earlier.

13 Q. Dr. Britnell, that is your explanation,  
14 and that is your interpretation, and what flows from  
15 it will be a matter of argument. But so that we may  
16 be complete on it, just what is your explanation of  
17 page 19219?  
18  
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1  
2 Just what is your explanation of page  
3 19219? - "If that is so, would it not be your view  
4 that if they" - that is the railways we are talking  
5 about - "are carrying a particular product,  
6 especially one that involves such a large volume of  
7 traffic" - and we are all talking about Crow's Nest  
8 rates, because you agree that this hearing was  
9 exclusively a Crow's Nest hearing.

10 MR. CARTER: Well, the record speaks for  
11 itself as to what Mr. Covert, who was examining, was  
12 referring to. The record speaks for itself as  
13 to what Mr. Covert was referring to at that particular  
14 time. This only illustrates the fact that I am  
15 not acquainted with the gentleman.

16 MR. SINCLAIR: But Dr. Britnell is.

17 Q. I will read it again so that the  
18 record will not lose the continuity that is necessary  
19 for reading it at a later time.

20 "If that is so, would it not be  
21 your view that if they are carrying a  
22 particular product, especially one  
23 that involves such a large -- "

24 A. What page is that?

25 Q. Page 19219.

26 "If that is so, would it not be  
27 your view that if they are carrying  
28 a particular product, especially one  
29 that involves such a large volume  
30 of traffic, at rates which are non-





1  
2 compensatory, the National Government  
3 should...

4 A. Yes.

5 Q. ...subsidize that, if that proved  
6 to be the case?

7 A. Yes."

8 Q. That is still your view?

9 A. That is still my view, that a  
10 national subsidy should absorb anything that may  
11 result in a deficiency in railway revenues without  
12 which they cannot operate efficiently. But again,  
13 as I stressed time and again throughout this evidence  
14 which I had the opportunity of re-reading last night,  
15 I want it looked at on a national basis and not with  
16 reference to any particular segment of traffic. This  
17 is exactly the sort of thing that I made very clear  
18 later on to Mr. Sinclair at page 19276 of the  
19 evidence. Mr. Sinclair's question was:

20 \* "I asked him to treat grain rates  
21 by themselves and look at them from a  
22 just and reasonable level to the railways  
23 along with other shippers and consignees.  
24 He tells me that the west refuses to do  
25 that.

26 Now, if I understand the position  
27 the answer is that they want some special  
28 consideration in dealing with grain rates?

29 A. No, I am afraid you are misunderstanding  
30 my answer..







1  
2 MR. SINCLAIR: And that they are not  
3 prepared, Mr. Chairman (and this would be  
4 my argument) to look at the grain rates  
5 on the merits, and that is the position  
6 that I see from the evidence of the  
7 prairie provinces as put forth by Dr.  
8 Britnell.

9 THE WITNESS: May I say something to that?

10 THE CHAIRMAN: Yes, do you object to that?

11 A. I object to that interpretation. I  
12 think our position does not arise from  
13 an obstinate ~~perversity~~ in error or in  
14 malice or anything else, that we refuse  
15 to look at this picture in this way. We  
16 say you cannot look at this picture in  
17 terms of just grain rates; that since the  
18 railways are instruments of national  
19 policy, were designed as instruments of  
20 national policy, then you cannot take  
21 grain rates out of the overall railway  
22 picture. That is our position."

23 MR. SINCLAIR: Now, I am obliged to Dr.  
24 Britnell, Mr. Chairman. So that we may clear this  
25 up once and for all and having in mind all the parts  
26 of the transcript which have been referred to time  
27 and again, the fixing of a normal rate on grain, I  
28 would like to continue reading from where Dr. Britnell  
29 left of.

30 This is the Chairman speaking to me:





1  
2 "Do you take the opposite position,  
3 Mr. Sinclair, that national policy should  
4 not be looked at, that these rates should  
5 be dealt with simply on the ordinary basis  
6 of the value of the service by the railway  
7 to the shipper?

8 MR. SINCLAIR: Yes, my lord, my view  
9 on behalf of the Canadian Pacific ---

10 THE CHAIRMAN: Having remained just  
11 and reasonable. We always come back to the  
12 shipper and to the railway and the consignee,  
13 and you can reach the consignee.

14 MR. SINCLAIR: Yes, the position I  
15 take, my lord ---

16 THE CHAIRMAN: That is to say, should  
17 be detached entirely from any wider  
18 consideration.

19 MR. SINCLAIR: Well, my lord, there  
20 is always a relationship.

21 THE CHAIRMAN: That is what Dr.  
22 Britnell says, you see.

23 MR. SINCLAIR: There is always a  
24 relationship between the cents per hundred  
25 pound for the movement, between comparable  
26 commodities. I say that by fixing  
27 them by statute they must go out of  
28 relationship with other rates.

29 THE CHAIRMAN: Well, that is a  
30 different thing.







1  
2 MR. SINCLAIR: I say that they should  
3 remain in relationship and no particular  
4 or unusual condition should surround the  
5 grain rates and the fixing of grain rates.

6 THE CHAIRMAN: That is an argument  
7 against statutory rates only.

8 MR. SINCLAIR: Quite so.

9 THE CHAIRMAN: On principle.

10 MR. SINCLAIR: That is right. I  
11 understood that is the difference.

12 THE CHAIRMAN: That is right, I am not  
13 finding fault with you. I am just seeing  
14 where you are heading to. You have other  
15 grounds there to.

16 MR. SINCLAIR: Yes.

17 THE CHAIRMAN: In your brief.

18 MR. SINCLAIR: Oh, yes.

19 THE CHAIRMAN: Pages 188 and 189.

20 MR. SINCLAIR: I am just dealing  
21 with Dr. Britnell on the first part of the  
22 brief and that is the historical matters.

23 THE CHAIRMAN: All right.

24 MR. SINCLAIR: The basic proposition  
25 that we are putting forward of course is  
26 that national policy in relation to  
27 agriculture should not be allowed to  
28 maintain unjust and unreasonable rates for  
29 one segment of the traffic moving over the  
30 railway."





1 This is the part that I wish to emphasize:

2 "THE CHAIRMAN: Yes, without  
3 compensation, is that what you say? And  
4 you say you don't want compensation.  
5

6 MR. SINCLAIR: We say, my lord, that  
7 the rates should be just and reasonable,  
8 and if the farmers of western Canada  
9 require assistance, then they should get it  
10 from the government if it is necessary in  
11 the national interest.

12 THE CHAIRMAN: That the government should  
13 not use railways to provide this assistance  
14 to the farmers and then compensate the  
15 railways? You say that is a false way of  
16 approaching it?

17 MR. SINCLAIR: Yes, we say it is an  
18 uneconomic way of dealing with the matter.

19 THE CHAIRMAN: In other words, you of  
20 course, are against the principle of the  
21 Maritime Freight Rates Act?

22 MR. SINCLAIR: Oh, yes, we made that  
23 clear in our brief..."

24 What arises from that I will leave there  
25 and make such argument at the appropriate time.

26 Dr. Britnell, costs have increased since  
27 1950.

28 A. Yes. Oh, costs in general, not  
29 all costs. A price level is never something that  
30 goes up with every particular <sup>item</sup> / the same; others may be





1  
2 stationary, others may be declining . But costs in  
3 general, with that reservation.

4 Q. Costs of providing transportation  
5 have gone up?

6 A. That is what I hear from the C.P.R.,  
7 but I suspect it is true.

8 Q. You know the Board of Transport  
9 Commissioners have found it in fact to be so?

10 A. Yes.

11 Q. And because of these fixed rates on  
12 grain the impact that they could bear in increased  
13 costs has become more difficult for the railways to  
14 live with?

15 A. I am afraid I can't accept that because  
16 I don't think that the C.P.R. can claim that it is  
17 because of the grain rates. I would submit it is  
18 because the railways are getting a declining part of  
19 the transportation business. Indeed, as the C.N.R.  
20 put in in evidence, Mr. Sinclair -- and you will  
21 remember this -- this Canadian National Railways  
22 memorandum regarding the necessity of railway revenues  
23 from grain traffic now moving at statutory rates,  
24 etc., shows at page 6 the alarming decline in the  
25 proportion of traffic moving by rail. Now, since  
26 1948, over a ten-year period ---

27 Q. Dr. Britnell ---

28 MR. CARTER: May the witness finish his  
29 answer. You asked the question.

30 THE CHAIRMAN: Let him answer.







1  
2 THE WITNESS: The rail proportion declined  
3 from 71.2 per cent to 54.7 per cent. The oil pipeline  
4 went up from zero to 14.8, water stayed just about the  
5 same level, around 24 per cent, and roads showed a  
6 50 per cent increase, or almost fifty per cent, from  
7 4.9 to 6.4 of the total. Now, I think, Mr. Sinclair,  
8 that in perfect fairness we have to take account of  
9 this. That is what we mean by taking the whole  
10 picture and not carving out grain rates and making  
11 them, as Mr. Brownlee said, the scapegoat for all the  
12 troubles in the last decade.

13 MR. SINCLAIR Q: Would you mind coming  
14 back to the question I asked you.

15 A. I'm sorry, I didn't mean not to answer  
16 your question.

17 Q. Let me start again. Would you not  
18 agree that the very fact that these rates on grain  
19 to export positions are fixed and therefore cannot  
20 bear any proportion of increased costs in transportation  
21 makes the problem of the railways greater as the  
22 cost of transportation increases?

23 A. No, sir, I would not agree. I think  
24 you have got to look at a lot more than merely singling  
25 out the rate on one particular commodity.

26 Q. Dr. Britnell, do you know -- I am  
27 sure you do -- that this movement of traffic constitutes  
28 from one-quarter to one-third of the total freight  
29 traffic of the Canadian Pacific Railway?

30 A. Yes.





1  
2 Q. And you do not think that because  
3 the railways are unable to have compensatory rates  
4 for moving one-quarter to one-third of their total  
5 freight traffic with an increasing cost spiral doesn't  
6 present a problem?

7 A. Again I don't want to quibble. I  
8 can't accept that premise that they don't have  
9 compensatory rates.

10 Q. You can't accept that as a premise?

11 A. I can't. You ask me to jetison  
12 all my principles.

13 Q. If they were proved not to bear a  
14 fair share of the transportation burden and being in  
15 relation to the other rates, then you would have no  
16 difficulty in agreeing with the answer.

17 A. I am afraid I would find it quite  
18 difficult. In fact, I think, Mr. Chairman, that I  
19 made the position of the province of Saskatchewan  
20 perfectly clear in the first meeting of the Commission,  
21 the Preliminary Organizational meeting, when I was  
22 constrained, through the indisposition of counsel,  
23 to almost presume to act as counsel for the province  
24 or at least to speak for it; and in two sentences on  
25 pag 58 it is said:

26 "Consequently, we feel that the  
27 Crow's Nest Pass rates must be protected  
28 in their present form rather than by any  
29 form of compensating subsidy, and in  
30 view of the history of these rates, with







1  
2 which we are prepared to deal if we have  
3 to, coupled with the national policy which  
4 was referred to on every hand this morning,  
5 we feel that the cost of handling export  
6 grain becomes completely irrelevant to this  
7 inquiry."

8 Now, that was the position which we took  
9 at that time, and it is the position which we still  
10 take and which I think is amplified very shortly in  
11 our conclusions on page 62.

12 Q. But, Dr. Britnell, that was not the  
13 unanimous view of this Commission?

14 A. No. That is why we felt  
15 we had to amplify it.

16 Q. And that is why you felt, notwithstanding  
17 the ruling of the Commission on this matter of the  
18 handling of grain -- and the unanimous view of this  
19 Commission, mark you, and I underline that in view  
20 of the people that are on it..

21 A. Yes, very well. Mr. Chairman, I  
22 think we accepted that decision and we went to  
23 considerable pains to prepare a very extensive brief  
24 on the Crow's Nest Pass rates. Mr. Sinclair last  
25 night rather suggested that we simply copied what we  
26 did in 1950. The brief we have now presented is  
27 at least two and a half times the length of the brief  
28 we presented in 1950.

29 Q. That is why you expanded the  
30 historical matter and drew the conclusions you are now





1  
2 referring to?

3 A. Yes. I would like to draw Mr.  
4 Sinclair's attention again to what we said on page  
5 62, at least in part, which recognizes that we had  
6 a decision we didn't particularly want, on September  
7 17th of last year:

8 "On the basis of the facts the  
9 province of Saskatchewan flatly rejects  
10 the contention that the Crow's Nest Pass  
11 rates constitute an inequality in the  
12 Canadian freight rate structure.....  
13 the... of these rates taken by themselves  
14 constitute a problem or that, as the  
15 railways contend, their weakness requires  
16 solution. The need of the railway  
17 companies for additional revenues can only  
18 be determined by an examination of their  
19 total operations and not by attempts to  
20 evaluate... activities and services".  
21 That is our position.

22 Q. Dr. Britnell, can you point out to  
23 this Commission one other segment of railway operation  
24 other than the handling of grain to export positions  
25 which is not subject to managerial control and  
26 improvement of the cost price relationship.

27 A. There may be, but I certainly cannot  
28 offhand think of any.

29 Q. Now, Dr. Britnell, as a westerner  
30 having great knowledge of the reactions of farm people,







1  
2 because you have lived among them and you are one  
3 of them, is it not a matter of concern to you that  
4 this large segment of traffic is believed by some  
5 and by the railways not to be on a proper level?  
6 Is that not a matter of concern to you and to the  
7 western grain farmer?

8 A. Not particularly, because apart  
9 from the Canadian Pacific Railway and some individuals ---

10 Q. Canadian Pacific, too.

11 A. Canadian Pacific, too -- I am not aware  
12 of any very strong sentiment against the Crow's Nest  
13 Pass rates and their continuance, otherwise I presume  
14 that Parliament, in its infinite wisdom, with a  
15 very small proportion of the membership of the House  
16 of Commons coming from the prairie provinces, would  
17 do something about it, in response to public opinion.

18 Q. Dr. Britnell, members in and of those  
19 provinces  
20 / are not nearly as important as the positions  
21 they occupy in government.

22 A. I don't quite follow that.

23 Q. You are trying to say that Parliament,  
24 after all, only had a few members from western Canada?

25 A. Yes.

26 Q. But some of those members are in very  
27 crucial positions?

28 A. Yes; but those members in their  
29 positions  
30 crucial/are dependent for their support on members  
outside of the prairie provinces.

Q. And that is why that Canadians generally







1 recognize the farm community, without undue hardship  
2 in the foreseeable future, cannot bear the payment  
3 of higher rates for the movement of grain to export  
4 positions. Is that what you are saying?  
5

6 A. I don't think most of the public  
7 take the position that we are at the position where  
8 we take out a tin cup and become mendicants for  
9 public charity. It is only the C.P.R. that is  
10 trying to put us in that position, and it pains me  
11 that they are.

12 Q. It pains you that they are?

13 A. Yes.

14 Q. And you would agree that without  
15 substantial hardships on some segments of western  
16 Canada grain rates could not be increased under  
17 existing conditions in the foreseeable future?

18 A. That would be true at any time in  
19 the last 20 years, for certain farmers and certain  
20 areas. The margin varies depending on the international  
21 price of wheat.

22 Q. Of course, with the cost price  
23 squeeze that margin has shifted inward in the last  
24 ten years?

25 A. Yes.

26 Q. So therefore you would agree that  
27 as of now and in the foreseeable future the western  
28 grain economy cannot, without hardship, bear higher  
29 rates for the movement of their grain to export  
30 positions?





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Britnell, cr-ex.  
(Sinclair)

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A. We are not basing our case on that.  
We are not coming here in pauperis causa.

Q. I am asking you whether you agree  
with that?







1  
2 A. As a statement of fact it is probably  
3 correct for the majority of the farmers in western  
4 Canada. My only point is that that is not the argument  
5 we are making -- that we can't pay therefore you have  
6 got to do something about it.

7 Q. Dr. Britnell, I think we know the  
8 argument that you attempt to espouse and we will deal  
9 with that some other time, but you always seem to feel  
10 it necessary to say "probably" this is so for the  
11 majority: do you need to qualify it? Do you think  
12 there is a large segment of the western grain economy  
13 that could handle and pay without hardship -- and I  
14 mean significant hardship ---

15 A. Another 20 cents.

16 Q. Or another 25 cents?

17 A. Oh, dear, yes.

18 Q. Or another 30 cents: goodness knows,  
19 when this increase in transportation costs is going to  
20 stop. Is there? Do you think there is?

21 A. No, there is not.

22 Q. So if there is a problem for the rail-  
23 ways and to the other shippers arising from the fact  
24 of fixed grain rates, that is a problem that in the  
25 interests of Canada should be solved?

26 A. Would you mind stating that again?

27 Q. If there is a problem arising from the  
28 fixed statutory grain rates to the railways and other  
29 shippers than the railways, under an agreement, you  
30 would agree that is a problem that should be solved?





1  
2 A. We would not agree with the first part  
3 of your statement because we don't think you can single  
4 out one segment of railway traffic and say, "Oh, this  
5 is the problem. There are no other inequities.  
6 Everything in the garden is lovely apart from this."

7 Q. Well, of course, there may be a problem  
8 which requires one solution and another problem which  
9 requires a different solution: you would agree with  
10 that?

11 A. We hardly feel that is likely in view  
12 of the position of the railways as instruments of  
13 national policy from their inception. It has got to  
14 be looked at in the larger view.

15 Q. Do you not think the proper way to  
16 look at a problem is to analyse it and apply appropriate  
17 remedies to appropriate circumstances?

18 A. I believe that we should analyse every  
19 part of the railway problem and not stop with the  
20 Crow's Nest Pass rates. I believe that when we have  
21 analysed every part of the railway problem, then we  
22 should seek for an overall solution.

23 Q. You want an overall solution rather  
24 than a specific solution?

25 A. I don't know that a specific solution  
26 and an overall solution are very different, except  
27 I don't want the finger pointed at Crow and it being  
28 said, "There is the only inequity. If we solve that  
29 there will be no other problems and we will live  
30 happily ever afterwards."







1  
2 Q. What you are suggesting, I suggest  
3 to you, and see if you agree, is that you would like to  
4 have this problem of grain not analysed individually,  
5 but you would like to encompass it in something that  
6 would kind of put a basket around it so it would not  
7 be so clearly evident as to what it really is?

8 A. No, I am sorry I can't agree with that.

9 Q. The reason you take this position is  
10 because of history, is it?

11 A. Well, yes, I think so. I think that  
12 is true. Our whole brief is an analysis of the economic  
13 history of these rates.

14 Q. Well, now, you have spent a lot of time  
15 on history and there are a few points. I may say to  
16 you and the Commission that I think this is in most  
17 part a rather scholarly approach to the question.

18 A. Thank you.

19 Q. And I am sure you won't misunderstand  
20 me when I say that every once in a while that scholar-  
21 ly approach is lost by a touch of -- what shall I call  
22 it -- bitterness?

23 A. Oh, Mr. Sinclair, I am shattered.

24 Q. And also that the scholarly tone which  
25 is in the centre part of the brief seems to have been  
26 lost in the introduction and the conclusion. Just to  
27 clean up a few small points ---

28 A. Of course, Mr. Sinclair, on that you  
29 may be unduly sensitive. We didn't think so.

30 Q. I am quite sure you didn't think so, but







1  
2 you may be so motivated that you even do things that  
3 you don't think you do.

4 Now, that may very well be the answer and  
5 I would accept that.

6 A. I am not a psychiatrist.

7 Q. Turning to paragraph 1 of your intro-  
8 duction:

9 "The agreement was designed specifically  
10 to accomplish national objectives" --  
11 you are talking about the Crow's Nest Agreement --  
12 " -- which by the closing decade of the  
13 nineteenth century had become imperative  
14 and which appeared certain to go by de-  
15 fault unless decisive action were taken  
16 by the Government of Canada."

17 Do you mean by that that the Crow's Nest Railway  
18 from Lethbridge to Nelson would not have been built  
19 by the C.P.R. if it were not for the government subsidy?

20 A. I don't believe for one minute, and  
21 apparently the Minister of Railways didn't believe it  
22 would be built at that time, and time was very much of  
23 the essence in view of the American penetration into  
24 the area. Delay might well have been completely  
25 fatal.

26 Q. But you are not in any way suggesting  
27 that the Canadian Pacific would not have built the  
28 railway? It was just a question of time?

29 A. I am suggesting they may have had to  
30 wait so long there would have been no point in building





1  
2 the railway, that the Americans would have been in  
3 there and consolidated their inland empire. I am not  
4 at all sure the C.P.R. would ever have built the railway  
5 without the subsidy. I am inclined to doubt it on  
6 balance.

7 Q. Then I must turn to Volume 104 ---

8 A. Oh, dear.

9 Q. . . . and look at page 19190, and  
10 here is what you say:

11 "It is thus clear that the Canadian  
12 Pacific Railway intended the construction  
13 of the Crow's Nest Pass line for several  
14 years before it was finally constructed  
15 and before there was clear assurance and  
16 perhaps even consideration of a government  
17 subsidy. Though construction might have  
18 been delayed without a subsidy, the con-  
19 struction of the line would nevertheless  
20 have taken place."

21 A. That is what I said ten years ago. I  
22 suppose we all have the privilege of changing our minds.  
23 I am a little more skeptical of it today -- a little  
24 more. I think it is conceivable, but it is a moot  
25 point. It is one of those speculative propositions  
26 that no one can answer with any finality. In fact,  
27 one can change one's mind from today to tomorrow as  
28 to whether you think it would have been built, even  
29 weighing the same evidence.

30 Q. That is your answer?







1

2

A. Yes, that is my answer.

3

4

Q. Do you remember what you said to me  
yesterday, Dr. Britnell?

5

A. Not all of it.

6

7

Q. When I was pointing out that you had  
used the material you used as a base, and that you had  
copied it out, and so on?

9

A. Yes.

10

11

Q. You said that the history that you had  
presented to the Commission in 1950, to use your state-  
ment ---

13

A. What page is this?

14

Q. Page 15476:

15

"It is a purely factual account of what  
happened."

16

17

A. Oh, the preceding paragraph?

18

Q. Oh, just that?

19

A. That is all we were talking about.

20

Q. Oh, I see. Thank you, Dr. Britnell.

21

Would you mind turning now to paragraph 27; I must  
clean up these little things.

23

24

A. Oh, yes, I will be in your debt, sir,  
as a fellow historian.

25

Q. Paragraph 27:

26

"Such a project . . ."

27

You are talking here of the Pacific Railway?

28

A. Yes.

29

30

Q. "Such a project was quite beyond  
the capabilities of unassisted private capital.





1  
2 A Pacific railway would either have to  
3 be built by public enterprise or by  
4 private interests given substantial  
5 state support."

6 As a political economist, and a very active student of  
7 the western Canadian scene, of the Canadian Pacific  
8 Railway, throughout its history, you would agree, Dr.  
9 Britnell, that in the decade from 1870 to 1880  
10 and continuing on to 1881, the building of a Pacific  
11 railway had proved to be beyond the financial and  
12 managerial capabilities of the then governments of  
13 Canada?

14 A. Oh, I could not agree at all to the  
15 proposition. That period was a period beginning in  
16 1873 of acute economic depression and the beginning  
17 of the so-called long depression itself, but it was  
18 most acute. Then, the rather piecemeal, parsimonious,  
19 very careful policy of the Mackenzie Administration --  
20 and I don't mean to reflect unduly upon the stonemason  
21 premier -- but the general policy of the government was  
22 to play it very, very cautiously, as was indeed the  
23 Liberal policy afterwards as exemplified by the  
24 quotations I made from Blake. But, in addition to that,  
25 when Macdonald came in in 1878 the depression was  
26 still very, very evident and there was no sign of  
27 it lifting at all. He continued the policy of the  
28 Mackenzie administration virtually without any change  
29 for a couple of years, and then decided he would go  
30 back to private ownership -- not private enterprise --





1  
2 private ownership.

3 Q. Well, Dr. Britnell, my question to you  
4 was -- and I agree with you, I think every person who  
5 has studied Canadian history would have to agree with  
6 you that this period of the decade in 1870 was a  
7 period of economic problems for Canada of substantial  
8 magnitude?

9 A. That is right.

10 Q. And notwithstanding the solemn covenant  
11 to British Columbia the building of the Pacific  
12 railway, in point of fact, had proved to be beyond  
13 the financial and managerial capabilities of Canada  
14 at that time?

15 A. I am not sure. You had 713 miles of  
16 railway actually built by that time.

17 Q. Do you think that is building a  
18 Pacific railway within a reasonable period? Lord  
19 Carnarvon didn't think so?

20 A. No, he didn't.

21 Q. And he made a full inquiry at the time?

22 A. Yes, but of course, he wasn't building  
23 the railway.

24 Q. And indeed I think it is of some  
25 historical significance that in the preamble to chapter  
26 1 of 44 Victoria -- and this is an Act respecting the  
27 Canadian Pacific Railway -- we read this:

28 "And whereas the Parliament of Canada  
29 has repeatedly declared a preference  
30 for the construction and operation of







1  
2 such railway by means of an incorporated  
3 company aided by grants of money and  
4 land, rather than by the government, and  
5 certain statutes have been passed to  
6 enable that course to be followed, but  
7 the enactments therein contained have  
8 not been effectual for that purpose;

9 "And whereas certain sections of  
10 the said railway have been constructed  
11 by the government, and others are in  
12 course of construction, but the greater  
13 portion of the main line thereof has  
14 not yet been commenced or placed on  
15 the contract, and it is necessary  
16 for the development of the Northwest  
17 Territory and for the preservation  
18 of the good faith of the government  
19 in the performance of its obligations,  
20 that immediate steps should be taken  
21 to complete and operate the whole of  
22 the said railway."

23 Now, the people who entered into this contract with  
24 the Canadian Pacific Syndicate were pretty hard bar-  
25 gainers, weren't they?

26 A. They were, indeed.

27 Q. On both sides?

28 A. I think I have got to be fair to the  
29 C.P.R. and say I think they were the better bargainers.

30 Q. Well, let us look at how good bargainers





1  
2 they were. The resolutions concerning the Canadian  
3 Pacific railway -- not the company, but the building  
4 of the Pacific railway ---

5 A. Yes.

6 Q. Dating back to 1870 indicate that the  
7 government of Canada of that day was prepared to give  
8 one hundred million acres of land as an inducement to  
9 private capital to build the railway?

10 A. That is right.

11 Q. And that didn't prove effective?

12 A. No.

13 Q. And then later they offered as an induce-  
14 ment fifty millions of acres of land and cash, and that  
15 didn't prove effective?

16 A. That is right.

17 Q. And the Scottish gentlemen who were  
18 acting as negotiators for the Canadian Pacific Syndicate  
19 struggled hard in their negotiations, history showed,  
20 to reduce the acreage grant and to increase the cash  
21 grant, and what they said was, "We want more cash and  
22 less land" -- that is the story?

23 A. That is right.

24 Q. And they were not successful because the  
25 government said, "No; we will give you as an inducement  
26 25 million acres of land and \$25 million," and that  
27 was incorporated in the contract; correct?

28 A. That is correct.

29 Q. Now, Dr. Britnell, history tells us  
30 that land at that time, and even years later, was worth







1  
2 not too much in western Canada. We have a figure  
3 of about \$1.50 an acre as the amount of, say, some ---

4 A. Six and a half million -- six and  
5 three-quarter million?

6 Q. Yes, at \$1.50 an acre?

7 A. Yes.

8 Q. And what was really involved here, we  
9 would say, was about 20 million acres of land -- 19  
10 million acres of land -- and about \$30 million?

11 A. I don't follow the 19 million.

12 Q. Well, the acreage the company actually  
13 received was substantially reduced ---

14 A. Oh, I don't think that is the proper  
15 interpretation. They received 25 million acres and  
16 sold back some six or seven millions at about \$1.50  
17 an acre to the government to retire a loan which they  
18 already had. So, they received 25 million acres.

19 Q. Yes, of which they disposed back to the  
20 government 6 or 7 million at \$1.50 an acre?

21 A. That is right.

22 Q. This bargain that was made between the  
23 Syndicate and the Government of Canada, you will agree  
24 history shows -- and it has been found -- that the  
25 Canadian Pacific honourably carried out its contract?

26 A. Yes

27 Q. Now, when we come to paragraph 34 --  
28 this is a small point, but I think it should be changed  
29 because it may leave the wrong impression:

30 "The North Shore route was indispensable





1  
2 to national purposes and was accordingly  
3 utilized. Construction was accomplished  
4 at tremendous cost."

5 You refer to Skelton as the authority for that statement.  
6 History shows us -- and these are all figures that  
7 are available in the Archives, I suggest to you, and I  
8 am sure you have been in this many times -- that the  
9 cost per mile of building the Canadian Pacific on the  
10 North Shore route was substantially less than the  
11 government construction per mile of the National  
12 Transcontinental, of the private construction of  
13 the Canadian Northern across northern Ontario?

14 A. The price level which you are so fond  
15 of had changed in that period quite considerably.

16 Q. Have you adjusted it for price change  
17 and then looked at it?

18 A. No, but I suspect there would also be  
19 a gap there in your favour. I think the Canadian  
20 Pacific -- and I think nowhere have we suggested  
21 otherwise -- was a marvel of efficient construction.  
22 They built it as cheaply as anybody could have across  
23 there, but the cost was still high.

24 Q. And Canadian Pacific through its con-  
25 nections via the Soo -- and western Canada has that route  
26 available for the movement of goods today; traffic  
27 can move via the Soo rather than going on the north  
28 route, if it wishes?

29 A. Yes, sir.

30 Q. And also it can move via the Detroit





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gateway through Chicago and back up?

A. That is right, but I am afraid I don't follow your point there.

Q. That is something that I will argue at a later time.

A. Thank you. I see it now.  
---Short recess.







1 THE CHAIRMAN: Order, please.

2 MR. SINCLAIR: Q: Paragraph 38, Dr. Britnell.

3 A. Yes?

4 Q. Now, you mentioned yesterday, in  
5 referring to the Stamford Study, that you had put a  
6 little gloom on it in one or two places?

7 A. A little California glow that takes  
8 over from the orange groves, I suppose.

9 Q. Paragraph 38:

10 "The wealth of patronage and  
11 privilege extended to the Canadian Pacific  
12 Railway Company at the time of its  
13 organization clearly removed it from the  
14 category of ordinary private-enterprise  
15 railway companies. The purposes which  
16 rendered its organization necessary were  
17 national purposes, of extraordinary import  
18 and exceptionally difficult of attainment.  
19 The price to the Canadian people for the  
20 assurance of success was little enough in  
21 comparison with the certain cost of failure."  
22 There is no gloom there?

23 A. Not that I am aware of. Not that I  
24 am aware of. In fact, I thought it was a cautious  
25 statement. The stakes were so big.

26 Q. Let me suggest to you, Dr. Britnell,  
27 as a matter of history, that the assurances of success  
28 were not so evident to the financial people involved;  
29 that in the period from 1880, when the contract was  
30





1  
2 signed, to 1885 there was not any rush of capital  
3 to the Canadian Pacific corporation?

4 A. No. I am well aware of that. But  
5 I do not think that we suggest that there was.

6 "The price to the Canadian people  
7 for the assurance of success..."

8 We didn't say that success was assured.

9 "...was little enough in comparison  
10 with the certain cost of failure."

11 The one thing that would have been very  
12 certain and final would have been failure.

13 Q. I see. That is what you have in mind?

14 A. Oh, yes, yes.

15 Q. Now, in paragraph 74, page 37, you  
16 use a figure for the government assistance to the  
17 building of the Crow Line from Lethbridge to Nelson  
18 as being 40 per cent. You do not give any source  
19 for that, and the evidence given by Mr. Reid, and  
20 the figures were put into the record, show that it  
21 was less than that.

22 Now, have you got a source; you say the  
23 Canadian Pacific?

24 A. I cannot remember at the moment.  
25 I would be very glad to look that up, though. I  
26 haven't got my working papers with me, but I was  
27 under the impression that I got it straight out of  
28 some company document that was not one of the  
29 annual reports.

30 Q. I see.







1  
2 Well, the facts as to the actual dollars  
3 were put in this record by Mr. Reid earlier in these  
4 proceedings?

5 A. Yes. Would you like me to try to  
6 check that?

7 Q. Yes, if you wouldn't mind, please.  
8 When we come to your conclusions, Dr.  
9 Britnell, I think we would agree on this. We must be  
10 extremely careful in interpreting history --

11 A. Yes.

12 Q. -- not to use hind sight and take  
13 knowledge of facts that have evolved and put them into  
14 the context of the time?

15 A. That is a constant hazard to the  
16 economic historian in particular.

17 Q. Now, the building of railways in  
18 Canada, particularly in western Canada, between the  
19 1880s, 1890s and early 1900s, involved very substantial  
20 risks because of the very light density of traffic  
21 and the few people that were there?

22 A. Are you thinking of the main line,  
23 Mr. Sinclair, or the branch lines?

24 Q. I am talking of the lines generally.  
25 In 1880, there was only a handful in the whole of the  
26 prairies west of the Red River; correct?

27 A. That is right, sir.

28 Q. And even as late as 1900 there were  
29 large sections in western Canada that were very, very  
30 thinly populated?





1  
2 A. Yes, partly as a result of the land  
3 grant system.

4 Q. Partly as a result of the land grant  
5 system. And you mean by that that land -- homestead  
6 land -- had been taken up by that time?

7 A. Not all of it, but the Canadian  
8 Pacific holdings concentrated as they were through  
9 the park belt, far away from the railway, hardly  
10 stimulated settlement.

11 Q. But in any event there was substantial  
12 risks in building railways where there were few people  
13 and they were used as development?

14 A. There is nothing new in North American  
15 experience in that. The rails almost always precede  
16 the settlers in North American development, whether it  
17 is north or south of the 49th parallel. The railways  
18 build in anticipation of the settler coming in and  
19 making it lucrative for him; particularly if they  
20 have land to sell to him.

21 Q. Then, Dr. Britnell, it is factual,  
22 is it not, that in western Canada these railways were  
23 not specifically made instruments of national policy  
24 in the sense that they were part and parcel of  
25 national policy, but, national policy having been  
26 established, the railways in certain ways were used  
27 as instruments to carry it out?

28 A. Well, I do not think that I could  
29 agree with that interpretation. I think from the  
30 very beginning railways were instruments of national







1  
2 policy and not, incidentally, of agricultural policy,  
3 but for the settlement and development of the west,  
4 and were used consciously at all times by governments,  
5 regardless of political strife, for that purpose.

6 Q. The point I am asking you to assist  
7 the Commission on, Dr. Britnell, is this: that national  
8 policy -- government policy -- and I am not referring  
9 to that in quotes ---

10 A. No, no. I know. Not the Sir John  
11 A's pre-emption of the terms.

12 Q. No.

13 A. No.

14 Q. ---that national policy, having been  
15 established by government railways were used as an  
16 instrument on occasion to carry out that policy, just  
17 as other things were and are used today to carry out  
18 national policy?

19 A. The "on occasion" bothers me a little  
20 bit. I think it was conscious, deliberate, consistent  
21 all the time.

22 Q. Well, for instance, do you think it  
23 was constant, deliberate, intentional all the time  
24 of national policy in the development of western  
25 Canada -- the irrigation projects that have been  
26 financed by the government in the prairies?

27 A. They were a part of agricultural  
28 policy.

29 Q. Do you think that is national,  
30 consistent policy that each government down through







1  
2 the years has had?

3 A. No, I think they have been in and out  
4 of that field. They had their fingers burned in  
5 Alberta, and they may yet get them burned in  
6 Saskatchewan before they are through.

7 Q. I didn't hear that?

8 A. They may yet get them burned in  
9 Saskatchewan before they are through.

10 Q. They have assisted the Britnell farm  
11 by building a dam at Outlook?

12 A. Fortunately, we are on high land  
13 and do not have to bother with the dam.

14 Q. And, particularly, Dr. Britnell, I  
15 suggest to you in the reading of history that what  
16 the policy was concerned about in 1897 was reducing  
17 rates from the level that then existed -- that is  
18 what they were interested in?

19 A. Yes.

20 Q. Your answer?

21 A. Yes. But may I go on to qualify --  
22 not qualify, but amplify that just a bit, Mr.  
23 Chairman. I think they were interested in reducing  
24 rates, but I also think that perhaps more fundamental  
25 than the mere reducing of three cents a bushel was  
26 the introduction of stability into freight rates on  
27 grain; the fact that they could hold that out as one of  
28 the very important inducements of a settlement and  
29 development program.

30 Q. Well, they didn't do it very well,





1 if that is what they had in mind, because I suggest  
2 to you the agreement shows that what they were  
3 interested in was reducing rates from their level  
4 then in existence, and they made the reduction of  
5 existing rate very clear as their objective when they  
6 restricted it to shipping points then in existence.  
7 If they had in mind what you said, they would have  
8 not so restricted it; don't you think that is right?  
9

10 A. When they restricted them ---?

11 Q. --- to shipping points in existence  
12 in 1897?

13 A. Well, I do not think I agree with  
14 that interpretation. I think we are into, probably,  
15 a legal area there, but my interpretation would be  
16 that they fully expected these rates would apply.

17 I cannot believe that they expected the  
18 Crow's Nest rates to apply on the main line of the  
19 C.P.R. and that any branch line that went off that  
20 could charge, if it were far enough away, 40 cents  
21 rather than 20 cents.

22 Q. But that is the interpretation that  
23 has been accepted by the Supreme Court of Canada?

24 A. Well, that is what I say: I think  
25 it is a legal question.

26 Q. But an economic historian must be  
27 careful to take into account the actual meaning of  
28 the agreements and how they have been interpreted?

29 A. He is entitled, I think ---

30 Q. To say the reports are wrong?







1  
2 A. Or -- he might not go quite that far --  
3 to doubt whether they took into account all of the  
4 economic circumstances in arriving at their decision.

5 Q. But, you see, Dr. Britnell, it is  
6 fundamental under our system that when you have an  
7 agreement that the written words are what govern?

8 A. That is true, but despite the  
9 Supreme Court decision, parliament straightened it out.

10 Q. Oh, yes. We all know they set it  
11 aside -- the agreement aside.

12 A. They cleared up the ambiguity.

13 Q. Now, Dr. Britnell, there are just  
14 two or three more points that I have with respect to  
15 your Part III, paragraph 6. This was drawn to your  
16 attention by my friend, I think, Mr. Brazier, that  
17 if the trucking industry diligently pursues the  
18 cost of service principle a railway rate structure  
19 based on value of service might ultimately break down.

20 And I think he asked you some questions on  
21 that, and you agreed with him that that might be so,  
22 with respect to truck competitive rates.

23 Now, I suggest to you based in your own  
24 province that truck rates for for-hire carriers are  
25 based on the Canadian freight classification and the  
26 value of service principle as it is carried in the  
27 railway freight rates?

28 A. I believe that to be true.

29 Q. And, so that, this cost of service,  
30 as the basis of truck rates, is really only operative





1  
2 in respect of a private carrier; that is, a person  
3 carrying his own goods, where he is, then, only  
4 interested in the cost of moving his goods by his own  
5 truck?

6 A. I suspect that is where it receives  
7 its full application.

8 Q. Now, in paragraph 10 -- this had to  
9 do with the cost of service and the application of  
10 that principle and the enunciation of it by the  
11 province of British Columbia in the questions of my  
12 friend, Mr. Brazier. Dr. Britnell, your position was  
13 that low-rated tariffs would have to be raised on  
14 this, and my friend, Mr. Brazier, objected to that  
15 in his cross-examination.

16 May I suggest this, to see if you would  
17 agree: that if rates now moving traffic, now moving  
18 at rates substantially above total cost, are brought  
19 down of necessity the loss of revenue by bringing  
20 those rates down must be recovered from low-rated  
21 traffic that is moving on the railways?

22  
23 -

24  
25  
26 -

27  
28  
29 -  
30







1  
2 A. Somewhere else in the rate structure,  
3 anyway, yes - at lower rated traffic.

4 Q. Would have to go up to offset what  
5 is taken off the top?

6 A. Providing they were not statutory  
7 rates which intervened, of course.

8 Q. And that leads me to the other point,  
9 Dr. Britnell, and it is this, that under the Canadian  
10 railway pricing as it has developed, lower rated  
11 traffic, heavy loaded traffic, has been given every  
12 possible advantage for many, many years by charging  
13 higher rated traffic an excess over total costs that  
14 these rates provide the railways with additional  
15 revenue?

16 A. That is my impression.

17 Q. As we approach the complete  
18 pervasiveness of competition the higher rated traffic  
19 is not able to make the same contribution and remain  
20 with the railways.

21 A. I think that is right; unless, of  
22 course, it is captive traffic.

23 Q. By that you mean that other modes  
24 don't want this balloon traffic or it has great loss  
25 factors involved in it or something like that?

26 A. Probably.

27 Q. Now, that being so, Doctor, what  
28 we have just agreed to, is it not surprising to  
29 an economic historian to find that the lower rated  
30 traffic is carrying a higher portion of costs to







1  
2 offset the advantages that they had heretofore.  
3 That would be accepted?

4 A. I don't know enough about costs,  
5 Mr. Sinclair, to follow you with any certainty of  
6 footing into these areas.

7 Q. Now, will you come to your  
8 transportation authority. What you have in mind  
9 in this transportation authority that you recommend  
10 to this Commission be established is that for  
11 transportation media, various transportation media  
12 and competitors within a type of transportation there  
13 would be general equality as near as may reasonably  
14 be brought about?

15 A. Yes.

16 Q. And that would apply to trucking,  
17 to rails, to air, to pipelines?

18 A. Yes.

19 Q. And your recommendation would  
20 envisage that Trans-Canada Airlines, for instance,  
21 would be brought under the aeronautic side?

22 A. I am afraid we haven't done much  
23 thinking about the air services. We were thinking  
24 mostly, as I think we made clear, of trucks here.

25 Q. But in principle you would agree?

26 A. I would have to look at that again.  
27 I am a little concerned about Mr. Howe's dictum  
28 the chosen policy of transportation in the air.  
29 But I believe he has gone from Parliament Hill now  
30 and perhaps that doesn't hold in the same way.





1  
2 Q. You used two phrases in your brief,  
3 "captive traffic" and "semi-monopoly area". Are  
4 they inter-related, are they co-terms?

5 A. I don't know about that. I haven't  
6 thought about them that way. But certainly there  
7 is a relationship of some sort. By captive traffic  
8 I am thinking of the normal rated traffic, traffic  
9 moving on class and commodity rates or, alternatively,  
10 traffic that is not likely to move by any other way.

11 Q. Because railway rates are lower than  
12 alternative transport media rates?

13 A. Because the railway has some  
14 advantage in moving them, yes, at that rate.

15 Q. And "semi-monopoly area" would be  
16 the same thing?

17 A. Substantially, I think, yes.

18 Q. Now, this national transportation  
19 subsidy into which you would bring the application  
20 of the Maritime Freight Rates Act principle to  
21 western Canadian traffic, this would apply to traffic  
22 moving, as you said, within, into and out of western  
23 Canada. Do you define western Canada as west  
24 of the head of the lakes?

25 A. I would be a little inclined to,  
26 yes, for the purposes of this Act. I think it would  
27 be just a little arbitrary perhaps, although I  
28 haven't thought this out, the province of Saskatchewan  
29 hasn't thought this out, but it seems a little  
30 arbitrary to stop at the Manitoba boundary.







1  
2 Q. And there would be a billed rate  
3 at the lower level and the reduction of the billed rate  
4 below the proper level would be a matter for which  
5 the railways would be recompensed by the federal  
6 government for that difference?

7 A. Yes, I think so.

8 Q. So this would be a national subsidy  
9 to the whole of western Canada's shippers and  
10 receivers?

11 A. I am not quite sure I would say it  
12 is a national subsidy to the whole of western Canada's  
13 shippers and receivers. I would prefer to think  
14 of it as a national subsidy compensating the western  
15 region for some of the effects of national policy  
16 that have militated against it.

17 Q. And this would be applicable whether  
18 shippers or receivers required such assistance or  
19 not.

20 A. I don't think we can pick and choose  
21 on that basis. Except, you may remember, Mr. Sinclair,  
22 I eliminated agreed charges.

23 Q. And competitive rates?

24 A. I am not sure. We haven't decided  
25 whether they should come in or should not. I have  
26 an open mind on that.

27 Q. And as an economic historian you  
28 are of the view seriously, Dr. Britnell, that every  
29 shipper and receiver of freight in western Canada  
30 needs that national assistance?





1  
2 A. I am convinced that the region  
3 as a whole needs it. But I know of no court  
4 that could possibly apply a means test to every shipper  
5 of goods in and out of western Canada and come up  
6 with anything in the nature of equity.

7 Q. You seemed to indicate that the  
8 reason you needed something like this was the fact  
9 that horizontal increases had fallen with particular  
10 severity on western Canada?

11 A. Yes.

12 Q. That was one of the reasons?

13 A. Yes.

14 Q. And you gave an example yesterday,  
15 and the example you gave was livestock. Now, I  
16 suggested that you check with your rate advisers, and  
17 I am sure you did. I suggest to you that  
18 livestock moves at competitive rates?

19 A. Yes. That is a perfect illustration  
20 of the fact that I should never open my mouth about  
21 rates. I was completely wrong. I did not know  
22 that livestock moved from the west to Toronto at  
23 competitive rates. I was reared in an environment  
24 where ~~confession~~ is good for the soul, and that is  
25 what I am doing now.

26 Q. You would agree, Dr. Britnell, that  
27 the freight rate structure is a matter that requires  
28 a great deal of study, to actually be at home with  
29 it and to understand it and to deal with it and to  
30 work with it every day and have some responsibility







1  
2 for what it is doing to your actual business or  
3 your actual movement of traffic?

4 A. I am sorry, I didn't just grasp  
5 the question.

6 Q. I said that the freight rate structure  
7 is the type of structure that to deal with it, to  
8 be at home with it, requires not only to have  
9 knowledge of it, to work with it day by day and to have  
10 some responsibility to the effect of it on the  
11 movement of your goods and costs and production and  
12 things of that kind.

13 A. Oh, that is helpful, but I can't  
14 accept the principle that no one offer an observation  
15 about the freight rate structure without dealing with  
16 rates ten hours a day.

17 Q. But it is the type of thing that  
18 by working with it and having responsibility for it  
19 gives you an appreciation of it that cannot be  
20 received in any other way.

21 A. Oh, yes, I would accept that on faith.

22 THE CHAIRMAN: Mr. McDonald?

23 MR. McDONALD: Mr. Chairman, firstly the  
24 points which I wished to examine Dr. Britnell on  
25 have been very amply covered by counsel who have  
26 preceded me in examination. Therefore I have no  
27 questions to ask him.

28 I just wish to say that he has made a  
29 very excellent presentation of the case on behalf of  
30 Saskatchewan, which I am sure the Commission will find







1  
2 useful in their deliberations.

3 MR. SINCLAIR: Mr. Chairman, there was one  
4 point that I forgot to mention before I sat down.  
5 I wish Dr. Britnell and Mr. Carter and their colleagues  
6 to carry back to our old friend the Hon. Mr. McIntosh  
7 our concern that he is not here for the reason that  
8 we understand he is not here. We were looking  
9 forward to having him with us, and we do miss him,  
10 and we hope when we come back here, as no doubt we will,  
11 he will once again lead the delegation.

12 THE CHAIRMAN: That goes for all of us.

13 MR. CARTER: Thank you, Mr. Chairman.

14 I just have one point to cover. Do you  
15 wish me to come after any questions you or your  
16 colleagues may wish to put to Dr. Britnell?

17 COMMISSIONER BALCH: I just have one  
18 question to ask Dr. Britnell.

19 Q. It is recommended that a transportation  
20 authority be created. Now, to take the word "created"  
21 literally, does that mean the liquidation of the  
22 present Board of Transport Commissioners?

23 A. Oh, no. That is, you would take  
24 those powers and incorporate them into another Act  
25 of the legislature, and you might even - we haven't  
26 thought about that - continue with exactly the same  
27 personnel. I was disturbed when I saw one of the  
28 headlines in some of the eastern papers that we  
29 liquidate the Board of Transport Commissions.

30 Q. That is not what you mean?





1  
2 A. No.

3 COMMISSIONER BALCH: That is all.

4 THE CHAIRMAN: Q: Mr. Britnell, what is  
5 your idea about low density lines?

6 A. That, Mr. Chairman, is something  
7 that we are quite prepared to leave to the judgment  
8 of the Board of Transport Commissioners under the  
9 Land Abandonment Policy which they pursue. It is  
10 an extremely difficult problem. We don't feel that  
11 you can lay down any general principle about it.  
12 It has got to be on that balance of railway convenience  
13 against the convenience of the public and everybody  
14 concerned before you can discontinue a service or a  
15 line. It is an extremely important decision to  
16 arrive at, to abandon a railway service or a railway  
17 line. We do feel that in terms of the overall  
18 railway problem, again it does not provide any  
19 solution, if a problem exists, and because of its  
20 very nature it will have to be a piecemeal program,  
21 and the relief which a program of that sort would  
22 afford to the railways would come very slowly  
23 indeed.

24 THE CHAIRMAN: Mr. Carter?

25 ---RE-EXAMINATION BY MR. CARTER:

26 Q. Dr. Britnell, you will recall  
27 yesterday that my learned friend Mr. Brazier asked  
28 you one or two questions having to do with the  
29 percentage of traffic carried on Canadian railways  
30 at rates other than class rates. Do you recall that







1  
2 being asked of you?

3 A. Yes.

4 Q. And you recall that Mr. Brazier, at  
5 page 15373 of Volume 90 of the transcript, suggested  
6 that:

7 "...those lower rates carry better  
8 than 98 per cent of the traffic on  
9 Canadian railways."

10 You will recall Mr. Brazier making that  
11 suggestion. Now, I believe that overnight you had  
12 certain of your assistants take a look at that matter  
13 with reference to the 1959 Waybill Analysis, did you  
14 not?

15 A. Yes.

16 Q. Now, as a result of that do you have  
17 any information before you showing the percentage of  
18 traffic moving at class rates for all of Canada to  
19 begin with?

20 A. Yes. On the basis of the analysis  
21 made by assistants who do know something about rates,  
22 on the basis of an analysis of the latest DBS  
23 statistics available, they have come up with a  
24 figure for Canada as a whole of some 4 per cent to  
25 5 per cent of the total traffic moving on class  
26 rates.

27 Q. Now, from the information which  
28 you have can you tell us anything of the percentage  
29 of traffic moving from the eastern region to the  
30 western region on class rates?





1  
2 A. Yes. From the same sources and  
3 based on the DBS materials, we find that approximately  
4 17 per cent of the traffic from eastern to western  
5 Canada moves on class rates.

6 MR. CARTER: That is all, Mr. Chairman.

7 THE CHAIRMAN: Thank you, Doctor. You  
8 had a long seige in the box.

9 DR. BRITNELL: Thank you, Mr. Chairman.

10 MR. CARTER: Thank you, sir.

11 MR. FRAWLEY: Mr. Chairman, yesterday  
12 something was said by Mr. Sinclair and by yourself,  
13 sir, that if I had been here at the time I would  
14 have spoken to it at that time. It has only been  
15 called to my attention when I read the transcript  
16 this morning, and I find it on page 15349, and on  
17 that page Mr. Sinclair made some remarks. I might  
18 start at line 15. What Mr. Sinclair said followed  
19 the ruling of the Commission that the Commission  
20 would not adjourn Mr. Stechishin. The Chairman  
21 said:

22 "Before he does, yesterday afternoon  
23 Mr. Sinclair made an objection, and the  
24 Commission has ruled that we will not  
25 adjourn Mr. Stechishin but you will have  
26 the right to stand him down.

27 Mr. Sinclair: One thought occurs  
28 to me, sir in the light of the ruling of  
29 the Commission and in view the situation  
30 in which we find ourselves, and that is





1  
2 notwithstanding the fact that we  
3 thought we were to receive certain  
4 material on specified dates we now do  
5 not know when we are going to receive it.  
6 And, as a suggestion to the Commission,  
7 if they -- and obviously they have  
8 decided to be lenient with these delinquents  
9 and transgressors -- I don't know how long  
10 this leniency is going to continue, or ---  
11 The Chairman: Well, that worries us, too.  
12 We are very annoyed, and when counsel  
13 come from the provinces we will ask them  
14 when we may expect Mr. Williams to  
15 foreclose his evidence."

16 I am told that the word "foreclose" should  
17 be perhaps the word "furnish".

18 And Mr. Sinclair said:

19 "And also Mr. Banks. Thank you, sir."  
20  
21  
22  
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1  
2 Now, Mr. Chairman, the Canadian Press has made a  
3 story of that, but even if they had not I would desire  
4 to make a statement to the Commission.

5 I personally appeared before the Governor  
6 General-in-Council last November and I took part  
7 in the appeal at that time from the ruling of the  
8 Board of Transport Commissioners in the 19 per cent  
9 case when they were awarded 17 per cent.

10 MR. SINCLAIR: Not last November?

11 MR. FRAWLEY: In November, 1958. Because  
12 I was there, and after I had read the order-in-council  
13 setting up the Commission, and after I had read the  
14 statement of the acting Prime Minister just at the  
15 time of the decision of the Cabinet that they would  
16 approve the 17 per cent case, because of that I  
17 discussed the situation with the Premier of Alberta  
18 and I sought and obtained his instructions as to the  
19 kind of case Alberta would make before this Commission.  
20 We welcomed the breadth of the order-in-council and  
21 I was instructed to obtain the very best opinions  
22 and consultants, leading to evidence, that I could  
23 on matters that it looked to us the Commission would  
24 want to consider. There was the question of  
25 horizontal percentage increase; there was the question  
26 of the imbalance in the freight rate structure other  
27 than whatever imbalance may be caused by the  
28 statutory grain rates. I sought to find opinions  
29 of consultants who would come to the Commission and  
30 discuss such matters as horizontal percentage increases





1 and the inordinant or disproportionate contribution  
2 which certain rates in the freight rate structure  
3 are making over and above out-of-pocket costs -- over  
4 and above full costs, for that matter. I went here  
5 and there and travelled to many cities in the United  
6 States as well as in Canada to find those experts  
7 and to set up evidence which I would present to this  
8 Commission, and one thing I was told was that it was  
9 unfortunate there was no cost data available in  
10 Canada comparable to the burden studies in the United  
11 States upon which these consultants could base their  
12 considerations in the preparation of any opinions they  
13 may come to concerning the imbalance in the Canadian  
14 freight rate structure other than the imbalance which,  
15 if any, is caused by grain. I took a long time and  
16 made applications to the Commission after making  
17 applications to the railway, and that was refused.  
18 I went back to the consultants and asked them if they  
19 could prepare statements for me without that evidence,  
20 and I convinced some of them that they might attempt  
21 to do that. One consultant I particularly wished  
22 to obtain a statement from had a very important  
23 commitment from the United States government and told  
24 me he could not give any consideration to my problem  
25 at all, and he was unable to, and many, many months  
26 passed and during all that time I was hopeful that  
27 he would in the end consider this problem and prepare  
28 a statement. Time went on as these people were  
29 considering the evidence they could give, and I will  
30







1  
2 say here and now that I never considered that the  
3 August 15th deadline was nearly as important as  
4 endeavoring as best I could to get opinions to bring  
5 before this Commission on these matters apart from  
6 grain. What I did with grain in conjunction with  
7 my learned friend Mr. Mauro is a matter of public  
8 record, and the extent to which we have gone and the  
9 expense to endeavor to challenge the Canadian Pacific  
10 Railway study is a matter of record.

11 THE CHAIRMAN: Will Mr. Williams have  
12 a statement on costing?

13 MR. FRAWLEY: Mr. Williams?

14 THE CHAIRMAN: Yes.

15 MR. FRAWLEY: On cost of grain?

16 THE CHAIRMAN: Yes.

17 MR. FRAWLEY: No, Mr. Chairman, he has not,  
18 but he and others have undertaken to prepare briefs  
19 for me and have now completed the preparation of  
20 those briefs and I hope to present to the Commission  
21 the views of competent people on these matters, and  
22 once again I repeat that the only thing I was guilty  
23 of at all was that I did not advise the Commission  
24 that the August 15th deadline was completely out of  
25 the question. These men that I have retained are  
26 professional people either consultants in private  
27 practice or university people, and they are not at  
28 my beck and call, and I was anxious they would  
29 complete their work rather than throw up their  
30 retainer, and that is what took a lot of time, and I





1  
2 must confess again that the record -- my own personal  
3 record -- and I have to plead guilty to something  
4 else: in the midst of working day and night in this  
5 matter I was rash enough to leave Ottawa for three  
6 weeks holiday in the month of August because I felt  
7 I needed it, and that also contributed to the delay,  
8 and now, with great, great respect, sir, I very  
9 humbly suggest that my personal record in this matter,  
10 to say nothing of the record of the province of  
11 Alberta who gave me unrestricted instructions to  
12 find these consultants -- and it makes me feel very  
13 bad that the Commission should be annoyed with the  
14 effort that I have put forth.

15 THE CHAIRMAN: We have great respect for you,  
16 Mr. Frawley, and we would not under any circumstances  
17 reflect on you. We made these orders, way back  
18 last June, I think, and we expected them to be kept.

19 MR. FRAWLEY: Well, sir, you say that you  
20 expected me to get in these briefs from these men  
21 one of whom wasn't able to begin to do anything about  
22 it until late in June or July. As I said, I probably  
23 should have informed the Commission -- that is the  
24 only thing. But, to say the Commission is annoyed  
25 with me -- you may not be annoyed with me personally;  
26 there may be a lot of matters that go into that,  
27 personal and otherwise -- but my province is now  
28 being indicted before the Commission as well as I,  
29 personally, because we are --- no, we haven't been  
30 called delinquents, and so on, by the Commission.







1 Mr. Sinclair -- and may I say that what my friend Mr.  
2 Sinclair thinks, right at this moment I could not  
3 think of anything less important. I do feel it is  
4 a bit difficult to charge the province of Alberta  
5 and the government of Alberta and the Premier of  
6 Alberta, sir, from whom I take personal instructions,  
7 that the Commission is annoyed with the performance  
8 of Alberta before this Commission. It is pretty hard  
9 to carry on and to endeavor to complete one's job if  
10 after all these months I am found to be a delinquent  
11 in the preparation of what I think is the real matter  
12 before this Commission -- to find out what is wrong,  
13 what causes the imbalance in the freight rate structure  
14 and what can be done about it, other than grain, and  
15 those are the people I am trying to bring before  
16 you. On the question of grain we have retained  
17 Mr. Banks. Well, we have fought and fought and  
18 fought, and there are reams of correspondence between  
19 Mr. Banks and the officers of the C.P.R. I have  
20 very little to say as to that. We never for one  
21 single solitary second got the impression that the  
22 August 15th deadline applied to the grain costs --  
23 never, sir. Certainly I am not anxious to quote  
24 any officer or servant of the Board. Never was  
25 there any question that the 15th of August deadline  
26 applied to the work Mr. Banks was doing, and if it  
27 had of applied to the work I was doing and the  
28 professional consultants I was endeavoring to  
29 convince should do this for me, then it is a sad state  
30







1 of affairs that I should stand, after all the work  
2 I did personally, and the interest I have had in trying  
3 to get a better freight rate structure for Alberta,  
4 and the ends to which I have gone personally in trying  
5 to get the best possible professional opinions to  
6 come before the Board, that because I didn't meet  
7 an impossible deadline, that never entered my mind --  
8 and I told you before I didn't regard that of any  
9 importance -- of no importance compared with getting  
10 the right kind of briefs to present to this Commission --  
11 I will put to the Commission with the greatest respect  
12 that I think it is unfair to the government of  
13 Alberta and to your humble servant to find that at  
14 this late stage in the Commission's affairs that I  
15 am a source of annoyance.

16  
17 MR. MAURO: Mr. Chairman, I don't want to  
18 extend this at all, but the indictment is against my  
19 province, and whatever this Commission thinks about  
20 me may be unfortunate, but that cannot be helped. All  
21 I know is, and I am quite sure in the minds, I hope,  
22 of most Commissioners, that while we may not have been  
23 effective in our attempts before this Commission to  
24 place certain material before you, I trust you  
25 do agree we have put in a great deal of effort. We  
26 went to a great deal of effort in putting in a full  
27 review of Manitoba's ideas before the Commission at  
28 the regional hearings -- I think one of the fullest  
29 that has been put in, and perhaps we were a little  
30 naive at that time in doing so.





1  
2 I thought, strangely enough, that this  
3 Commission would be very grateful rather than  
4 annoyed at the amount of money and time the province  
5 of Manitoba has expended before this Commission. As  
6 far as the deadline is concerned, I mentioned before  
7 I was sorry it wasn't met, but I can't even allege  
8 I was on a three week holiday this summer. The  
9 Manitoba group, which is a very small group, has  
10 worked consistently since the beginning of the year  
11 on the cross-examination of cost witnesses and on  
12 our submission, and I would hope that when this  
13 Commission is getting annoyed that it would show the  
14 same annoyance at the C.P.R. for changing figures and  
15 changing cost studies that resulted in thousands  
16 of dollars of extra costs and many additional hours  
17 of work.

18 I apologize, again, for not meeting the  
19 deadline, but I request that any inference in the  
20 annoyance of this Commission directed to my province  
21 would be expunged from the record, and any annoyances  
22 the Commission may have would be directed against  
23 the counsel.

24 THE CHAIRMAN: I think you gentlemen have  
25 now stated your position, and we are most anxious  
26 to get on with this job of the Commission, and we  
27 didn't know the reasons given by Mr. Frawley today,  
28 but we certainly appreciate what both Alberta and  
29 Manitoba are doing and have done; but, we have got  
30 a job to do and we want to get on with it, and we make







1  
2 orders and we want them observed.

3 MR. MAURO: Should I qualify my witnesses  
4 now, Mr. Chairman, and then we can start at 2:00  
5 o'clock?

6 THE CHAIRMAN: Yes.  
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SUBMISSION OF THE PROVINCE OF MANITOBA.

---S. TRACHTENBERG, called.

---V.M. STECHISHIN, called.

---WILLIAM J. RUTLEDGE, called.

---DIRECT EXAMINATION BY MR. MAURO:

MR. MAURO: I thought, Mr. Chairman, I would qualify the members of the Manitoba team who have participated in this and who will be available for any questions that the Commission might have. The first is Mr. Sam Trachtenberg of the Department of Industry and Commerce, Manitoba Development Authority.

Q. Mr. Trachtenberg, I will read out the highlights of your career, and you advise me, when I have finished, whether they are correct. You were born in Romania and came to Canada in 1924. Your early education was in Winnipeg, Manitoba. You received your Bachelor of Arts Honours in 1942 in Economics, History and Political Science. You obtained your Master of Arts degree from the University of Toronto in 1943 in Economics, History and Political Science. You did additional post graduate work towards your Ph. D. at McGill in 1949-50 and 1952-53 in Economics and Economic History. You lectured on economics at Carleton College and the University of Manitoba. You were an instructor at the University of Toronto and at McGill University in economics. During your educational period you held





1  
2 five undergraduate scholarships at the University of  
3 Manitoba; travelling fellowship in arts and also  
4 the Branforan Fellow of Economics at McGill University.  
5 You were Economical and Statistical Assistant with  
6 the Department of Finance in Ottawa; Statistician,  
7 Department of Reconstruction and Supply in Ottawa;  
8 an Economist with the Fisheries Prices Support Board  
9 and the Department of Fisheries, Ottawa; an Economist  
10 with the Department of Northern Affairs and National  
11 Resources, Ottawa, and at the present time the senior  
12 Economist and Executive Secretary of the Manitoba  
13 Development Authority?

14 MR. TRACHTENBERG: That is correct.

15 Q. The next is Mr. William Rutledge  
16 of Winnipeg, who was born in Portage la Prairie,  
17 Manitoba; early education in Portage la Prairie,  
18 and served in the armed forces from 1941 to 1945.  
19 Obtained his degree in chartered accountancy in 1947;  
20 became a partner in Peat, Marwick, Mitchell and Co.  
21 in 1958. In 1954 and subsequently a lecturer  
22 in the Institute of Chartered Accountancy of Manitoba.  
23 He is at present a member of the council of the  
24 Institute of Chartered Accounts of Manitoba, and  
25 holds the office of Accounting Adviser on  
26 Transportation to the government of Manito; is  
27 that correct?

28 MR. RUTLEDGE: That is right.

29 Q. Now, Mr. V.M. Stechishin: born in  
30 Montreal; early education in Washington, D.C. and







1  
2 Winnipeg. Worked for the Winnipeg Grain Exchange,  
3 1939, for the Royal Canadian Air Force as Traffic  
4 Supervisor to No. 7 Equipment Depot, Winnipeg,  
5 until 1943. Vulcan Iron and Engineering, Winnipeg,  
6 as Traffic Manager from 1943 to 1952, and since  
7 that date has been the manager of the Manitoba  
8 Transportation Commission and freight rate consultant  
9 to the Manitoba Development Authority. He has  
10 appeared as a witness before the first Turgeon and  
11 also has participated, I understand, on the second  
12 Turgeon Commission and in the Royal Commission on  
13 Coastal Trade?

14 MR. STETCHISHIN: That is right.

15 Q. You have appeared on a number of  
16 occasions before the Board of Transport Commissioners  
17 and the Parliamentary Committee on Railways and  
18 Canals; has been a director many years of the  
19 Canadian Industrial Traffic League and is presently  
20 National Chairman of the Educational Committee of  
21 the Canadian Industrial Traffic League; first  
22 vice-president of the Canadian Institute of Traffic  
23 and Transportation; past president of the Winnipeg  
24 Traffic Club; coordinator and lecturer on a course  
25 of transportation at the University of Manitoba;  
26 is that correct, Mr. Stetchishin?

27 MR. STETCHISHIN: That is correct.

28 THE CHAIRMAN: We will adjourn now until  
29 2 o'clock.

30 ---Luncheon adjournment.





THE CHAIRMAN: Order please. Mr. Mauro?

MR. MAURO: The format of this submission follows in chapter form the terms of reference of the Governor-in-Council to this Commission dated May 13, 1959. The Order-in-Council is reproduced for ease of reference as Appendix I.

CHAPTER I: INEQUITIES IN THE FREIGHT RATE STRUCTURE

2. Term (a) of the Commission's specific terms of reference states that the Commission shall consider and report upon:

"(a) Inequities in the freight rate structure, their incidence upon the various regions of Canada, and the legislative and other changes that can and should be made, in furtherance of national economic policy, to remove or alleviate such inequities."

3. Under this heading we shall confine ourselves to a discussion of the inequities in the present freight rate structure, their incidence upon the various regions of Canada and the legislative or other changes that can and should be made to remove or alleviate such inequities. The matter of national economic policy is not within the purview of this precis of evidence.

Basic Principles of Rate Making.

4. No discussion of inequities in the freight rate structure can be of assistance to this Commission without first attempting an outline of those basic







principles of rate making within which rates are established. Departure from these basic principles creates those inequities in the freight rate structure which are discussed in this submission.

Q. Mr. Stechishin, what in your opinion are the basic principles governing rate levels in Canada?

MR. STECHISHIN: Mr. Commissioners, there are four basic principles which operate to set the levels of railway rates in Canada.

6. First Principle: It is a universally accepted principle that the floor or lowest level of rates is set at a level which will return to the carrier an amount equivalent to, but not less than the variable costs of providing the said service. It is similarly accepted as a general principle of rate making and of carrier management that if the traffic will not move at this minimum variable figure, it would be to the advantage of the carrier to abandon the traffic rather than maintain it with an ever increasing reduction in the carrier's net revenue. While the principle, as enunciated, is universally accepted by carrier management, rate experts, and regulatory agencies and transportation economists, all too often in actual practice the railways's primary concern is with gross revenues as opposed to net revenues. This results in a volume of traffic being maintained at rates which, in our opinion do result, in fact, in a net diminution of net revenues.





And then follows Table I which is prepared to illustrate this proposition we have just stated.

TABLE I

"A"

		Line
1 Car Commodity "A" 50,000 lbs. at \$1.25	\$ 625.00	1
1 Car Commodity "B" 100,000 lbs. at \$1.00	<u>1,000.00</u>	2
Total revenue	\$1,625.00	3
2 cars Variable Cost at \$700.00 per car	<u>1,400.00</u>	4
Contribution to Constant Costs	<u>\$ 225.00</u>	5

"B"

10 cars Commodity "A" at \$ 625.00 per car	6,250.00	6
5 cars Commodity "B" at \$1,000.00 per car	<u>5,000.00</u>	7
Total Revenue	\$11,250.00	8
15 cars Variable Cost at \$700.00 per car	<u>10,500.00</u>	9
Contribution to Constant Costs	<u>\$ 750.00</u>	10

"C"

20 cars Commodity "A" at \$ 625.00 per car	12,500.00	11
5 cars Commodity "B" at \$1,000.00 per car	5,000.00	12
Total Revenue	\$ 17,500.00	13
25 Cars Variable Cost at \$700.00 per car	<u>17,500.00</u>	14
Contribution to Constant Costs	NIL	15

Q. The point of that, I take it, Mr. Stechishin, is that an over-exaggeration of gross revenues can lead a carrier to a situation where his net position is constantly being worsened while his gross position is improving?







1  
2 A. That is correct, Mr. Mauro.

3 Q. Please carry on.

4 MR. SINCLAIR: Before he does, and so I  
5 may follow this, the witness said it is illustrative,  
6 and I take it there are a number of tables in here  
7 in which there are commodity cars and so on and they  
8 do not, unless you tell us, illustrate or they  
9 are illustrations only and they do not represent  
10 active traffic movements; is that right?

11 MR. STECHISHIN: That is correct, Mr.  
12 Sinclair.

13 MR. SINCLAIR: If there is actual movements,  
14 we will be told?

15 MR. MAURO: You will be told.

16 MR. SINCLAIR: Otherwise, they are just  
17 examples?

18 MR. MAURO: Yes.

19 MR. STECHISHIN:

20 7. Second Principle: Fixing the upper level  
21 or ceiling on rail rates is what has become known as  
22 the value of service principle, or as sometimes  
23 phrased, "what the traffic will bear". Under this  
24 principle or theory of rate making the rates are so  
25 set that any increase above this level will directly  
26 affect the volume of traffic moving. Under both  
27 of the two principles set out, any obsession with  
28 gross revenues, in other words, failure to base  
29 decisions on net revenues rather than on gross  
30 revenues, results, in our views, in reduction of total  
net revenues to the carriers involved. Value of







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service as used in this context is not limited simply to the ability of the commodity to "tolerate" higher freight charges, for example, the difference in "ability to pay" of boots and shoes as opposed to sand and gravel, but might also be determined by the value of the service of a competing mode of transportation.

8. For example, let us assume that the railways are moving 20 cars of commodity "C" at \$1,000.00 per car and that the variable cost of moving each car is \$500.00. The following is the revenue position:

"A"

20 Cars Commodity "C" at \$1,000.00 per car	\$20,000.00
20 Cars variable cost at \$500.00 per car	<u>10,000.00</u>
Contribution to constant cost	<u>\$10,000.00</u>

9. If an increase in rate of 10 per cent has the result of traffic dropping off by 20 per cent, the following is the revenue position:

"B"

16 Cars Commodity "C" at \$1,100 per car	\$17,600.00
16 Cars variable cost at \$5,000 per car	<u>8,000.00</u>
Contribution to constant cost	<u>\$ 9,600.00</u>

10. Under these circumstances the railways are better off not to apply the increase.

11. On the other hand, if the freight rate is reduced, and the volume of traffic does not increase





sufficiently to offset the rate reduction, it may be said the goods are being carried for less than "the value of the service."

12. If a 10 per cent rate reduction results in only a 20 per cent increase in traffic, the following is the revenue position:

"C"

24 Cars commodity "C" at \$9,000.00 per car	\$21,600.00
24 Cars variable cost at \$5,000.00 per car	<u>12,000.00</u>
Contribution to constant cost	<u>\$ 9,600.00</u>

13. If the traffic volume does increase substantially as the direct result of a rate reduction and the net revenue position can be improved, it may be said that the previous rate was above "the value of service" e.g. a 10 per cent rate reduction directly results in a 40 per cent increase in traffic.

"D"

28 Cars commodity "C" at \$ 900.00 per car	\$25,200.00
28 Cars variable cost at \$500.00 per car	<u>14,000.00</u>
Contribution to constant cost	<u>\$11,200.00</u>

14. "Value of Service" is the traditional sense referred to the rate level which would yield the maximum net revenues to the carrier. Under the monopolistic situation in which the railways found themselves, this level had little relation to cost of







1  
2 carriage except in the overall picture.

3 15. The motor carrier at first adhered to the  
4 "value of service" theory of rate making in so far  
5 as this referred to the "ability to pay" of the  
6 traffic handled. Pressures of competition among  
7 motor carriers caused the weaker ones to reduce  
8 those rates which were more highly inflated relative  
9 to cost and the erosion of rates based on "value of  
10 service" began. Industry using its own trucks is  
11 not interested in the "ability to pay" of their  
12 commodity but in the "cost" of transportation. The  
13 for-hire carriers had to follow suit in order to  
14 retain the traffic.

15 16. Thus while the "value of service" theory  
16 continues to determine the level of rates which will  
17 yield the maximum net revenue to the carrier, the  
18 value of service is no longer determined by the  
19 "ability to pay" of the commodity, but rather by the  
20 rates charged by competing media of transport or by  
21 the cost of the shipper performing the service  
22 himself. Only where no effective competition exists  
23 is the value of service determined by the ability to  
24 pay.

25 Q. Now, Mr. Stechishin, you have  
26 described for the Commission the first two principles;  
27 those of cost of service setting the floor level,  
28 and the value of service setting the ceiling. What  
29 is your third principle?  
30





MR. STECHISHIN:

17. Third Principle: The third basic principle or factor governing the level of rates is that established by public policy as evidenced by the Railway Act. The upper limits of the rates as defined under the second principle above have been limited and governed by an agency of the national government on the basis that no shipper should be required to pay a disproportionate share of the transportation costs. Under our present form of rate control the maximum permissive level of each rate is established by this agency and the railways are not permitted to charge in excess of these established levels or maxima.

Q. Now, so that I completely understand this, Mr. Stechishin, this third principle of yours governs the classification of rates into various categories; for example, if a commodity is designated as class 45, the railways can only charge the maximums permitted under that classification, regardless of the fact that they might be able to charge a higher rate due to the absence of competitive forms of transportation; is that right?

MR. STECHISHIN: That is correct, Mr. Mauro. The government has said you shall charge no more than this rate, and it disregards whether or not the carrier can charge more than that. But the rate level is set by the government, generally speaking, somewhat below the value of service; otherwise, there would be no need to eliminate the







1  
2 maximum level of the rates.

3 18. Fourth Principle: The fourth basic  
4 principle or factor governing the setting of rates is  
5 the further restriction imposed by the national  
6 authority that no rate set by the railways, be it  
7 higher than the variable costs and below the ceiling  
8 set by the "value of service" or by the regulatory  
9 agency, should unduly prejudice or discriminate as  
10 between shippers. Thus, the railways, under our  
11 present legislation, may not reduce a rate for one  
12 shipper, even though the reduction may be justified  
13 on economic grounds, if the effect of the rate  
14 reduction so granted has an injurious effect on the  
15 business of another shipper.

16 MR. MAURO: Section 322 of the Railway Act  
17 reads as follows:

18 "322. Whenever it is shown that any  
19 railway company charges one person, company,  
20 or class of persons, or the persons in any  
21 district, lower tolls for the same or similar  
22 services, than it charges to other persons,  
23 companies, or classes of persons, or to the  
24 persons in another district, or makes any  
25 difference in treatment in respect of such  
26 companies or persons, the burden of proving  
27 that such lower toll or difference in  
28 treatment does not amount to an undue  
29 preference or an unjust discrimination, lies  
30 on the company."







1 MR. STECHISHIN:

2 While the foregoing are the basic principles  
3 considered in the setting up of the rate structure,  
4 the over-riding principle is that of national policy  
5 and public interest. Therefore, in order to  
6 assess whether or not there are inequities in the  
7 present freight rate structure, as this Commission  
8 has been directed to ascertain by the Governor-in-  
9 Council, we must look to those present practices  
10 which tend to depart materially from the principles  
11 above enunciated, or which are in conflict with or  
12 tend to frustrate national economic policy.

13 THE CHAIRMAN: And these are in your view  
14 the only principles?

15 MR. STECHISHIN: I wouldn't want to say  
16 they are the only principles, but they are certainly  
17 the four major ones Mr. Commissioner.

18 MR. MAURO Q: Now, Mr. Stechishin,  
19 in its submission at the regional hearings in  
20 Winnipeg, the province of Manitoba referred this  
21 Commission to a number of inequities in the present  
22 freight rate structure. Would you now please  
23 discuss this matter of inequities?

24 MR. STECHISHIN:

25 20. The province of Manitoba would direct the  
26 attention of the Commission to the inequity resulting  
27 from the present practice of the Board of Transport  
28 Commissioners in awarding rate increases by way of  
29 horizontal percentage increases.

30 21. When the railways find that the revenue





1  
2 contributions from the various segments of traffic  
3 produce a total which collectively is insufficient  
4 to cover their operating and overhead costs, the  
5 practice has been to apply to the Board of Transport  
6 Commissioners for permission to increase all rates  
7 under the jurisdiction of the Board to yield  
8 sufficient additional revenue to meet their  
9 requirements. In every case this increase has been  
10 calculated by raising virtually all line haul rates  
11 (with the exception of coal and coke) by a specified  
12 percentage. This method of increasing revenue has  
13 many advantages for the railway traffic manager and  
14 the regulatory agency. In the first place it is a  
15 simple matter to calculate. Secondly, it can  
16 easily be made effective by the publication of a  
17 master tariff rather than by a revision of each of  
18 the hundreds of thousands of rate items published.  
19 Thirdly, because it is a percentage increase, it tends  
20 to widen the range between the lower level of rates  
21 which might otherwise discriminate against a shipper  
22 and the higher level of rates found to be reasonable  
23 by the regulatory agency.

24 Q. I understand you have an illustration  
25 to illustrate this last point that you make there,  
26 Mr. Stechishin, and it is diagram II - 1 in Volume  
27 2. Was this diagram prepared by you or under your  
28 instructions?

29 A. Yes, Mr. Mauro, it was.

30 MR. MAURO: I would ask, Mr. Chairman, that







1  
2 it be numbered as an exhibit.

3 THE CHAIRMAN: Have you filed this?

4 MR. MAURO: Well, the copies have been filed.  
5 There are some additional ones to come in, but I  
6 would like them separately to be taken as an exhibit.

7 MR. COOPER: Mr. Chairman, would it be  
8 easier to take Volume 2 right in as a separate  
9 volume of the proceedings and give it an A letter  
10 after the volume which will contain the Manitoba  
11 direct evidence.

12 THE CHAIRMAN: Yes, that is all right.

13 COMMISSIONER PLATT: Mr. Cooper, I think  
14 there would be difficulties in reproduction.

15 MR. COOPER: Well, file Volume 2 as  
16 an exhibit under one number, then.

17 THE CHAIRMAN: And then refer to the  
18 exhibits as they come along.

19 ---Exhibit No. 153.

20 Submission of the Province of Manitoba.

21  
22 ----EXHIBIT NO. 153-A - Diagram II - 1. Diagram  
23 illustrating effects of percentage increases on  
24 factors entering ratemaking.

25 MR. MAURO Q: I am now referring you to  
26 exhibit No. 153-A, Mr. Stechishin.

27 MR. STECHISHIN: This exhibit, Mr.  
28 Commissioners, is an attempt to show in graphic form  
29 that which we have just been discussing. We have  
30 drawn -- these are arbitrary figures; they are not





specific cases, but it would vary with individual shipments -- but we have shown on here or tried to show the value of service as a straight line.

Q. That is the upper line; the upper horizontal line?

MR. STECHISHIN: Yes, the upper heavy line running at the figure of 120 on the lefthand side.

Q. Yes?

MR. STECHISHIN: Now, that line -- the value of service doesn't change merely because the railways have been permitted to get an increase in rates. It is more or less of a standard figure, subject, of course, to other factors, but not to the change in rate itself.

The variable cost of service, we have shown as this bottom line with the two steps in it starting at 60 and ending at roughly 87, I believe, or thereabouts.

And the variable cost of service, of course, does go up because of increasing railway costs, but we have shown the increase not being as a progressive, but only going up at the time an increase might be granted.

Q. So this line starts at a level of 60 and then, assuming the railways have increased costs of labour, they come before the Board of Transport Commissioners and ask for a 20 per cent increase to offset this increased cost, and you show the increase in variable cost?

MR. STECHISHIN: At that time, yes.







1  
2 THE CHAIRMAN: Where in this A is there any  
3 provision for taper?

4 MR. STECHISHIN: This is not a scale of  
5 rates, Mr. Chairman. This can be any one individual  
6 rate. It would be \$1.20 rate, or, actually in this  
7 case, it might be 90 cents at a particular time for  
8 a particular length of haul. There would be no rate  
9 of taper in that.

10 MR. MAURO Q: I think you ought to explain  
11 the other lines and then put it into context.

12 MR. STECHISHIN: Now, the second line from  
13 the top lefthand side, the maximum permissive rate,  
14 which takes the two steps at the same time as the  
15 variable cost of service, would be that rate ceiling  
16 set by the Board of Transport Commissions on this  
17 particular mythical movement -- hypothetical movement  
18 we are speaking of.

19 Q. Then, Mr. Stechishin, assuming that that  
20 is class 45, there was a commodity moving under class  
21 45 scale, the value of service or what the traffic  
22 might bear is this upper line of 120?

23 MR. STECHISHIN: Yes.

24 Q. But the Board of Transport  
25 Commissioners under class 45 have set as the maximum  
26 permissive rate this line at 90?

27 MR. STECHISHIN: That is correct, Mr. Mauro.

28 Q. And then they got the 20 per cent  
29 increase in the maximum permissive rate increases?

30 MR. STECHISHIN: It goes from 90 to 180.







(Mauro)

1  
2 Q. And then they got another increase  
3 and it rises another 20 per cent increase in the  
4 maximum permissive level now, and goes above what  
5 the traffic will bear?

6 MR. STECHISHIN: That is correct.

7 Q. Now then ---

8 MR. STECHISHIN: There is a fourth line  
9 here, and that is the one between 70 and 80 on the  
10 left hand side, and that continues straight across  
11 and this is the minimum non-discriminatory rate  
12 which is the lower level that might be set in  
13 particular traffic by the Board of Transport  
14 Commissions because a rate any lower than that would  
15 have an adverse effect on some other shipper who  
16 might be competing in the same market and this has  
17 been the result of decisions of the Board on a number  
18 of occasions.





1  
2 Now, I have shaded in between the maximum  
3 permissive rate and the minimum non-discriminatory  
4 rate, which is the area within which the railways may  
5 set their rate, and they can't go above the maximum  
6 permissive rate, they can't go below the minimum dis-  
7 criminatory rate. The maximum permissive rate may  
8 be below the value of service -- in this case it is --  
9 it may be above the cost of service, and I think it is  
10 generally established that it should be in most cases.  
11 So you have the shaded area as the range within which  
12 the railways may set their rate in order to meet the  
13 particular exigencies they find at that time.

14 THE CHAIRMAN: And still be above out-of-  
15 pocket?

16 MR. STECHISHIN: Yes; but it could be any-  
17 where between 75 cents and 76 cents and 90 cents.

18 MR. MAURO: Q. And that permits the  
19 area in which the railways can compete?

20 MR. STECHISHIN: I have heard it referred  
21 to as the playground.

22 THE CHAIRMAN: And what about the long haul?

23 MR. STECHISHIN: This particular illustration  
24 could refer to a long-haul shipment as well as a short-  
25 haul shipment. I am trying to show the relationship  
26 between the value of service as well as other factors.  
27 Scrap iron would move for 700 miles at a rate of 90  
28 cents. This is not an attempt to show a scale of rates  
29 between long-haul and short-haul; this is a given rate  
30 at one given time. It is merely to illustrate the







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four principles we have just enunciated. Then when the railways get the 20 per cent increase the maximum permissive level goes up from 90 cents to \$1.08, and the result is that the railways take the full increase in this particular shipment. Then in the second 20 per cent increase that the railways may get -- and these are just examples -- the \$1.08 figure has now gone up to about \$1.29. So the maximum permissive level is now above the value of service, and it is when this situation occurs that you have what the railways refer to as attrition, because they now cannot charge the full rate, so they must charge something less.

THE CHAIRMAN: That is one of Mr. Edsforth's terms.

THE WITNESS: Yes.

MR. MAURO: Q. At the end of the scale after the second increase?

MR. STECHISHIN: Also with the second increase the cost of service has now gone above the minimum non-discriminatory rate, and in that case we suggest if it is above that then the railways must charge a higher rate and not protect the interests of a shipper who, prior to that time, said that he must have parity rates with someone else who might have a shorter haul.

Q. What position have the provinces taken regarding this method of effecting rate increases?

A. The provinces which have appeared consistently as parties before the Board of Transport





Commissioners on the applications for general freight rate increases have never accepted the alleged merit of the horizontal percentage increase method. Following every rate increase, and on many occasions during the hearings before the Board of Transport Commissioners, individual shippers themselves have complained that horizontal percentage increases aggravate those discrepancies which have been permitted to enter the rate structure. Those shippers who have been denied lower commodity rates -- that is the class rate shipper we are speaking of there -- and are paying maximum class rates feel their injury is compounded when, under horizontal percentage increases, their actual increase in cents per hundred pounds is greater than that assessed against more fortunate shippers who have been accorded lower commodity rates.

23. The shippers involved find this practice particularly difficult to accept when they know that class rates account for a very small percentage of the total railway revenue and further that the railways choose not to raise the lower commodity rates except when they have authorization from the Board of Transport Commissioners to increase the class rates.

Q. I wonder if you would pause there and explain that last sentence a little more fully concerning this gap which exists in the various rates classifications?

MR. STECHISHIN: Mr. Chairman, I believe







1  
2 this morning someone -- Dr. Britnell -- put on the  
3 record that class rates were a very, very small per-  
4 centage of the total traffic, I think about 5 per  
5 cent or some such figure. Now, the railways have  
6 frequently said that this is their ceiling, they can  
7 charge any rate below that subject to the conditions  
8 we have just mentioned. It follows from that that  
9 they can increase or cancel such a rate without having  
10 to go to the Board.

11 Q. If you could refer to 153A, and it is  
12 a particular commodity rate, and assuming that they are  
13 charging 90 cents, their permissive level is something  
14 under \$1.10, say, \$1.09. One might assume that the  
15 railways would first increase that rate up to the  
16 permissive level?

17 MR. STECHISHIN: Yes.

18 Q. But, as a matter of fact, they do not;  
19 they will not raise this rate until they get an increase  
20 in the class rate?

21 MR. STECHISHIN: That has been the experience,  
22 sir.

23 Q. Would you carry on?

24 MR. COOPER: Is it clear on the record, Mr.  
25 Mauro, when you said "this rate" what rate you were  
26 referring to there?

27 MR. MAURO: This commodity rate of 90 cents.

28 MR. STECHISHIN: In addition, due to the  
29 fact that rates for greater distances are higher than  
30 rates for shorter distances, horizontal percentage







1  
2 increases tend to aggravate the disadvantage of those  
3 who are farthest removed from their sources of supply  
4 and markets. It is also important to note that while  
5 costs have increased less with respect to line haul  
6 costs than terminal costs during the postwar period,  
7 horizontal percentage increases tend to increase the  
8 charges related to line haul disproportionately to  
9 terminal costs. Two principal causes for this lesser  
10 increase in line haul costs appear to have been dieseliza-  
11 tion and centralized traffic control.

12 24. Another aspect of the inequity or problem  
13 created by the horizontal percentage method of in-  
14 creasing rates is the impact that it has on the railways  
15 themselves. The Commission has heard, throughout your  
16 cross-country hearings, numerous examples of the  
17 inequities and aggravations that result from horizontal  
18 percentage increases from the viewpoint of the shipper.  
19 It is our submission that, in addition to injury to  
20 the shipper, horizontal percentage increases also have  
21 an adverse effect on the revenues of the railways.  
22 Whereas at present, various rate levels result in  
23 differing contributions to costs by the diverse traffic  
24 movements, the horizontal percentage method of rate  
25 increases aggravates or increases the relative dis-  
26 crepancy of contributions by the various rates. This  
27 increase in the proportionate contribution to constant  
28 costs is illustrated in Table 2.  
29  
30





TABLE 2

Line

10 Cars Commodity "A"

50,000 lbs. each at \$1.45	\$ 7,250.00	1
Variable costs \$600 percar	<u>6,000.00</u>	2
Contribution to Constant Costs	\$1,250.00	3

10 Cars Commodity "B"

50,000 lbs. each at \$1.25	6,250.00	4
Variable costs at \$600 per		
car	<u>6,000.00</u>	5
Contribution to Constant Costs	<u>250.00</u>	6

Excess contribution of Commodity "A" 1,000.00 7

All rates subjected to a 20% increase.

10 Cars Commodity "A"

50,000 lbs. each \$1.74	8,700.00	8
Variable costs at \$600 per		
car	<u>6,000.00</u>	9
Contribution to Constant Costs	2,700.00	10

10 Cars Commodity "B"

50,000 lbs. each at \$1.50	7,500.00	11
Variable costs at \$600 per		
car	<u>6,000.00</u>	12
Contribution to Constant Costs	<u>1,500.00</u>	13
Excess contribution of		
Commodity "A"	<u>1,200.00</u>	14
Increase in discrepancy	<u>200.00</u>	15

And here we have ten cars of commodity "A" and ten cars of commodity "B", "A" moving at \$1.45 and "B" moving at \$1.25, and a contribution to constant costs of \$1,250 for the ten cars of commodity "A", and commodity "B" moving at a somewhat lower rate, \$1.25, as a contribution of only \$250, and the excess contribution of commodity "A" is \$1,000, as shown on line 7.

Now, if all those rates are subject to the 20 per cent increase, we find that commodity "A" now







1  
2 contributes to overhead to the extent of \$2,700,  
3 and commodity "B" to the extent of \$1,500; the excess  
4 contribution of commodity "A" is now \$1,200 instead  
5 of \$1,000, or \$200 more.

6 COMMISSIONER ANSCOMB: So your variable costs  
7 are on the same basis before and after the increase?

8 MR. STECHISHIN: In this particular illus-  
9 tration they are, yes.

10 MR. MAURO: Q. Therefore before  
11 commodity "A" was making a contribution of \$1,000  
12 greater than "B"; after the increase the discrepancy  
13 is further increased by \$200?

14 MR. STECHISHIN: That is correct, Mr. Mauro.

15 Q. Would you please go on?

16 MR. STECHISHIN:

17 25. This problem is not a new one to the Canadian  
18 transportation scene. The Turgeon Royal Commission in  
19 its report in 1951 devoted more than a complete sub-  
20 chapter to this issue at pages 45 to 49, and in addition,  
21 a section on horizontal increases, at pages 50 to 62.  
22 While the Turgeon Royal Commission offered no specific  
23 solution to the problem it made abundantly clear its  
24 position in regard to the procedure followed. Recom-  
25 mendations of the Turgeon Commission were as follows.

26 MR. MAURO: "No legislative amendment  
27 dealing with horizontal increases is recom-  
28 mended. The Railway Act in its present form  
29 gives to the Board ample power to deal with  
30 matters of this kind.





"In all future increase cases it is  
to be hoped that the Board and the  
railways will pay due regard to the  
considerations referred to in this  
section."

(Report of The Royal Commission on Transportation,  
1951, page 62.)

Q. Would you go on, Mr. Stechishin?

MR. STECHISHIN:

26. In only one of the seven rate increase cases  
which have followed the publication of the report of  
the Turgeon Commission has an attempt been made,  
however, to comply with these recommendations. The  
reference may be found in 68 CRC 273, decided January  
25, 1952.

Now, that citation is, of course, the decision  
of the Board, which was put into effect by the rate  
tariff, Tariff CFA 74-A.

The following is an excerpt from Tariff CFA  
74-A effective February 11, 1952:

- "(d) Cordwood, Edgings, Mill Refuse, Slabs,  
when used for fuel purposes . . . . .  
. . . . .Table 1, maximum 2 cents per 100 lbs.
- (e) Potatoes, specified in item 40, page  
227 of Canadian Freight Classifi-  
cation Table 2.
- "(f) Gravel, building) in bulk in open  
Sand, building ) top cars  
. . . . . 10 cents per ton of





2,000 lbs. or 1/2 cent per 100 lbs.

as rated.

"(g) Stone, crushed or screenings in bulk  
in open top cars . . . . 20 cents per  
ton of 2,000 lbs. or 1 cent per 100  
lbs. as rated."

MR. MAURO:

28. That this problem of horizontal percentage  
increases not only has not been settled but on the  
contrary has been even further aggravated has been  
shown in the events which followed the last general  
general rate case, the seventeen per cent increase  
in 1958. We would refer the Commission to the  
statement of the Acting Prime Minister who was quoted in  
a press release of November 26, 1958 as stating:

"It is, however, recognized by the  
Government that there are serious in-  
equities in the present freight rate  
structure which have both contributed  
to, and been aggravated by, the system  
of horizontal rate increases. The  
Government has already indicated its  
intention to move towards a solution of  
these problems.

"A study is being undertaken at once  
to work out measures to relieve against  
inequities in the freight rate structure  
including any that may be aggravated by  
the present increases. Steps are also







1  
2 being taken to set up a suitable body  
3 to review the general field of railway  
4 problems and policies."

5 29. Subsequently, on May 24, 1959, the Minister  
6 of Transport in presenting the resolution respecting  
7 Bill C-38, the purpose of which was to authorize the  
8 government to contribute \$20 million by way of subsidy  
9 to alleviate in part the burden imposed by the 17  
10 per cent increase, said:

11 "As an interim measure designed to  
12 alleviate the burden of the authorized  
13 increase in rates (17%), the proposed  
14 legislation provides for a subsidy  
15 of \$20 million over a 12-month period  
16 to be paid to the companies . . . as re-  
17 imbursement for such reductions in  
18 rates as they may be directed to make  
19 pursuant to this legislation . . .

20 "The government has decided that the  
21 most effective relief is to be afforded  
22 by confining the subsidy to a reduction  
23 in the non-competitive class and com-  
24 modity rates . . . These rates . . .  
25 are the ones which have taken the full  
26 percentage increases authorized by the  
27 Board over many years.

28 "This manner of alleviation concentrates  
29 the benefits on the long-haul traffic  
30 where rates have not been kept down by





1  
2 competition." . . .

3 "As honourable members know, the  
4 government has indicated its intention  
5 of proceeding with a comprehensive  
6 inquiry into these matters affecting the  
7 railways."

8 (House of Commons Debates, Official Report, Volume  
9 103, No. 49, 2nd Session, Tuesday, March 24, 1959,  
10 pages 2207-8.)

11 30. One of the principal reasons for the  
12 establishment of this Commission, Mr. Chairman,  
13 therefore, was for the purpose of investigating and  
14 recommending solutions to this major inequity of  
15 horizontal percentage rate increases.

16 Q. What recommendation has the Province  
17 of Manitoba with regard to alternative methods to the  
18 horizontal percentage rate increases?

19 MR. STECHISHIN:

20 31. We would refer the Commission to the  
21 submission of the Province of Manitoba presented by  
22 the Honourable Duff Roblin, Premier, at the hearings  
23 in Winnipeg on February 8, 1960 where the following  
24 is stated:

25 "There have been numerous alternative  
26 methods suggested from time to time  
27 in both Canada and the United States  
28 with a view to easing the obvious impact  
29 of horizontal percentage increases.  
30 Various devices are presently utilized







1  
2 by the Interstate Commerce Commission  
3 in the United States and on occasion the  
4 Board of Transport Commissioners has  
5 applied maximums and exceptions on  
6 specific commodity movements when  
7 applying rate increases. There are  
8 certain inherent weaknesses in any  
9 alternative plan that attempts to shift  
10 rate burdens, but it is our submission  
11 that an alternative is feasible which  
12 would more equitably distribute the  
13 increases required while recognizing  
14 the characteristics of particular  
15 traffic movements.  
16 "Our problem in Canada is to establish  
17 a rate basis which minimizes the dollar  
18 increase on the long haul traffic while  
19 at the same time maximizing the contri-  
20 bution from the short haul traffic.  
21 The difficulty lies in finding the point  
22 of balance or diminishing returns where  
23 the increase results in a greater loss by  
24 way of diverted traffic than is realized  
25 from the higher rate. We submit that  
26 increases applied by way of cents per  
27 hundred pounds plus a smaller percen-  
28 tage increase is one possible scheme  
29 which is worthy of study as a com-  
30 promise formula."





(Daily Transcript, Volume 29, February 8, 1960,  
page 4234.)

32. The problem or inequity of horizontal increases is generally recognized, especially where shippers having longer hauls must compete with those having short hauls. An attempt to offset the disabilities of horizontal increases has been made by the Canadian railways with regard to coal traffic. Because of the high freight rate content in the selling price of coal, freight rate differentials are of serious consideration in the marketing process. Major distortions in these differentials to the percentage horizontal increases can create insurmountable obstacles leading to the complete loss of markets and the cessation of activities.

33. Recognizing this, the railways have not increased rates on coal by the horizontal percentage method, but rather by a uniform number of cents per ton. In the 17 per cent Case, that is the last 17 per cent case I am speaking of, rates on coal were not increased by 17 per cent but by 22 cents per ton. Thus a rate of \$1.50 was increased by 22 cents to \$1.72 or by 15 per cent -- that 15 per cent is the calculated figure -- while a rate of \$4.50 was also increased by 22 cents to \$4.72 or only by 5 per cent.

34. However, this alternate method did not prove entirely satisfactory in that short haul shippers claimed the method was unduly discriminatory against





1  
2 them. Exceptions were made in some of the earlier  
3 increase cases to avoid unduly penalizing the short  
4 haul.

5 I should mention that this practice of in-  
6 creasing the coal and coke by a flat increase is stan-  
7 dard procedure by the railways, and all eleven cases  
8 since the last war have been on the same basis.

9 COMMISSIONER ANSCOMB: Do they only apply  
10 to coal and coke?

11 MR. STECHISHIN: Yes.

12 The following table reproduced from rule 1  
13 of CFA Tariff 74-C illustrates the basis followed --  
14 and 74-C was one of the earlier cases:

15 Coal and Coke

16	<u>Line haul carload rates on</u>	<u>Amount of Increase</u>
17	(c) Coal and Coke, including Coke Breeze,	
18	Petroleum Coke, Petroleum Coke Breeze,	
	Pitch Coke	
19	On rates to and including 80 cents	
	per ton	30 cents per ton
20	On rates 81 cents to and including	
	90 cents per ton	35 cents per ton
21	On rates 91 cents to and including	
	\$1.00 per ton	40 cents per ton
22	On rates \$1.01 to and including	
	\$1.70 per ton	45 cents per ton
23	On rates \$1.71 to and including	
	\$1.85 per ton	50 cents per ton
24	On rates \$1.86 to and including	
	\$2.00 per ton	55 cents per ton
25	On rates \$2.01 per ton and over	60 cents per ton

26  
27 35. The flat increase per hundred pounds (or ton)  
28 which is the opposite to the horizontal percentage  
29 increase method created similar problems. In the  
30 case of the horizontal percentage increase method,







1  
2 the problems created bear on the long haul shipper. In  
3 the case of the flat cents per 100 pounds method, the  
4 problems created bear on the short haul shipper but in  
5 the case of the short haul shipper the railways have  
6 recognized the need for exceptions. The Canadian  
7 railways in the past have not felt compelled to make  
8 similar exceptions in the horizontal percentage method  
9 to alleviate the burden on the long haul shipper.

10 36. The one major exception to this general  
11 statement occurs on so-called transcontinental traffic  
12 between British Columbia and eastern Canada (A and  
13 B groups and East). Here the railways have found  
14 that in most cases the full increased rates could  
15 not be maintained, as otherwise the traffic would  
16 be diverted southward, across the United States and  
17 north back into Canada at lower freight charges.  
18 As a result, a whole body of exception rates, based  
19 primarily on U.S. railroad competition, has grown  
20 up between the two areas giving British Columbia  
21 a major block of relief from the full impact of  
22 horizontal percentage increases. The following  
23 table illustrates this fact.

24  
25  
26  
27  
28  
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30





Table 3

Carloads from Eastern Canada

	to: <u>Man.</u>	<u>Sask.</u>	<u>Alta.</u>	<u>B.C.</u>
Total Cars	209	80	171	172
Competitive rated cars	46	1	4	44
Agreed Charge rated cars	50	39	74	101
Total at depressed rates	96	40	78	145
% of total	46%	50%	46%	84%

Source: 1958 Waybill Analysis.

This shows the carloads moving between eastern and western Canada to Manitoba, Saskatchewan, Alberta and British Columbia.

Now, the first line is the total cars, 209, 80, 171, 172; the second line shows the competitive rated cars, the third line the agreed charge rated cars, and the fourth line is the total depressed rates. In other words, these are the numbers of cars which move below what is the normal rate, and the percentage of traffic at depressed rates to total cars is shown in the last line, and here we see 46% to Manitoba, 50% to Saskatchewan, 46% to Alberta, and 84% to British Columbia.

Q. As I understand it, the Manitoba Transportation Commission had recommended that a complete analysis be made of the waybill of inter-provincial movements of all traffic moving in these groups?

A. Yes. We do this every year for one purpose or another.







Stechishin, Rutledge,  
Trachtenberg, dir  
(Mauro)

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1  
2 MR. MAURO: We have prepared this, Mr.  
3 Chairman, and we will submit it. There has been some  
4 talk of various commodity movements. I would like  
5 to have this marked as an exhibit.

6 MR. COOPER: Exhibit 154, Mr. Chairman.

7  
8 ---EXHIBIT NO. 154: A study of The Board of  
9 Transport Commissioners for  
10 Canada -- Waybill Analysis,  
11 1958.

12 MR. MAURO: Q. Now, Mr. Stechishin, would  
13 you simply explain just briefly what the document is?

14 MR. STECHISHIN: Mr. Chairman and Commissioners,  
15 this document is merely taking the Waybill Analysis which  
16 is issued by the Board of Transport Commissioners, that  
17 is movements from one province to another, not the  
18 Blue Book which has been shown here from time to time.  
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The information contained there is the same information that appears in the blue covered Waybill Analysis issued by the Board of Transport Commissioners except that this is the movement from one province to another by provincial geographic boundaries. All we have done here is taken the information listed in this other larger book and then re-arranged it in tabular form so that one can tell at a glance where the traffic movements are in each direction. There is nothing very mysterious about it and nothing difficult to follow. It is just a collation of the information spread through the entire book.

Q. There are no figures in here, Mr. Stechishin, that are your figures? This is information published by either the DBS or the Board of Transport Commissioners under the Waybill Analysis?

MR. STECHISHIN: That is correct. There are some calculations we have made: for example, we did calculate the revenue per ton which is not shown in the Waybill Analysis, which is merely dividing by the total tons on a particular movement, and it is a simple arithmetic calculation.

If I might explain a few of the sheets: page , for example, is the analysis of traffic movements by provinces, and there are ten columns -- eleven, actually, one for each province and one for the total. Under the first column, for example, is "To Newfoundland" and there is a figure of 453. If you follow that on the horizontal plane it is also "from Newfoundland" and







Stechishin, Rutledge, 15591  
Trachtenberg, dir.  
(Mauro)

1  
2 you find 453 moved within Newfoundland. Similarly  
3 right across. The cross that we have in here is to  
4 set out separately from the rest, for easy use for  
5 ourselves, the Manitoba traffic. So, here we find  
6 New Brunswick to Manitoba is one car, and Quebec to  
7 Manitoba is 42, and Ontario to Manitoba is 166, and  
8 so on.

9 COMMISSIONER PLATT: These are the figures  
10 from the waybill?

11 MR. STECHISHIN: These are the figures in  
12 the Waybill Analysis.

13 MR. MAURO Q: This is the one per cent  
14 sample?

15 MR. STECHISHIN: That is right. If I might  
16 just comment on this sheet, one thing that did come  
17 to our attention was the fact that intra provincial  
18 traffic, that is, traffic with the point of origin  
19 and destination within the same province, is almost  
20 invariably the largest single movement for each  
21 province. The exception is Prince Edward Island,  
22 Saskatchewan to Ontario, and to British Columbia  
23 from Alberta. This intra provincial traffic is  
24 opposed to the inter-provincial totals 9,514 cars,  
25 or over 50 per cent of those shown in the Waybill  
26 Analysis.

27 The next page that I would like to draw  
28 to your attention is page 3 where we have exactly the  
29 same information as on page 1 but now by revenue rather  
30 than by the number of cars. In contrast to page 1 we







1  
2 note that in terms of revenue the dominion movements  
3 are not intra-provincial but inter-provincial. This  
4 traffic, the inter-provincial, totals \$4,917,300.00,  
5 or 70 per cent of the total, and on page 1 we noted  
6 the inter-provincial traffic was less than 50 per cent.  
7 Now, by revenue it is 70 per cent of the total.

8 MR. MAURO Q: So that by revenue it is  
9 70 per cent as compared to less than 50 per cent by  
10 carload?

11 MR. STECHISHIN: That is correct. The  
12 next one I should make some reference to is page 11,  
13 and this is a calculated figure by us. This is the  
14 average revenue per ton. That is, if you divided  
15 by 20 you get the average rate for 100 pounds. The  
16 Waybill Analysis is shown in tons. Now, from Ontario  
17 to Manitoba ---

18 Q. Which figure is that?

19 MR. STECHISHIN: The fifth line down and  
20 the column in the Manitoba group under the cross.

21 Q. Yes.

22 MR. STECHISHIN: \$36.62 is the average  
23 revenue per ton from Ontario to Manitoba. That  
24 would be \$1.83 per 100 pounds in round figures,  
25 and so on, right across the whole thing.

26 The second feature of this particular  
27 page of the study is the fact that the rates on  
28 shipments from eastern Canada to Manitoba and to  
29 the other provinces in western Canada are higher without  
30 exception than any other rate within eastern Canada.





1  
2 If we take the entire block, which would be Newfoundland,  
3 Prince Edward Island, Nova Scotia, New Brunswick,  
4 Quebec and Ontario down to the line representing  
5 Manitoba, not one rate in the entire block is higher  
6 than the lowest rate between the east and west.

7 Q. The rates between east and west, I  
8 see -- Manitoba \$36.62 per ton?

9 MR. STECHISHIN: That is correct.

10 Q. Saskatchewan \$51.53 per ton?

11 MR. STECHISHIN: That is right.

12 Q. Alberta \$61.04 per ton?

13 MR. STECHISHIN: Yes.

14 Q. And British Columbia \$52.50 per ton?

15 MR. STECHISHIN: That is right; that is,  
16 from Ontario.

17 Q. That was all from Ontario?

18 COMMISSIONER BALCH: That \$3 -- that is  
19 within Ontario?

20 MR. STECHISHIN: Within the province of  
21 Ontario, that is right. In the extreme right hand  
22 column the average rate from Ontario is \$6.08 --  
23 all traffic originating in Ontario, \$6.08.

24 MR. MAURO Q: Yes, that right hand  
25 column is the average of all traffic originating in  
26 the province?

27 MR. STECHISHIN: From that province. The  
28 line across the bottom is the average revenue per ton  
29 on all traffic destined to the province. Using Ontario,  
30 it is \$6.08 on all shipments from Ontario; \$4.67 on all







(Mauro)

1  
2 shipments to Ontario.

3 THE CHAIRMAN: The \$6.08 would mean that  
4 much of the traffic was intra --- intra Ontario?

5 MR. STECHISHIN: That is right.

6 MR. MAURO Q: Are there any other  
7 references?

8 MR. STECHISHIN: On page 15 I regret to  
9 say there is an error of a decimal point: this is  
10 the table showing the average haul, and this is  
11 also a calculated figure. What we did was divide  
12 the total car miles by the cars in order to get the  
13 averagement movement of each car. The error is  
14 on the traffic from Nova Scotia to Quebec, under  
15 the Quebec column, the third line down.

16 Q. Yes.

17 MR. STECHISHIN: That should read 839 miles,  
18 instead of 8,309.. It should be 838.9, and, rounded  
19 out, it is 839 miles. The sharp contrast in the  
20 mileages on the east-west traffic is again shown by  
21 the size of the average haul.

22 Over the page, on page 16, is the movement  
23 of agricultural products. Looking at the Manitoba  
24 figures, that is the one within the cross, we notice  
25 tha that traffic originating in Manitoba, three-  
26 quarters of the cars carrying products of agriculture  
27 are destined to Ontario; that is, the 391, moving  
28 from Manitoba to Ontario, and about one-eighth of the  
29 total, or 61 cars of the 511, involved here are to  
30 other Manitoba destinations.





1  
2 MR. SINCLAIR: Does this include grain?

3 MR. STECHISHIN: This would include all  
4 traffic, yes.

5 THE CHAIRMAN: To the head of the lakes?

6 MR. STECHISHIN: Primarily. If we take  
7 the traffic destined to Manitoba points we would take  
8 the vertical column reading down, and we find about  
9 40 per cent of the traffic originates within the  
10 province and roughly the same amount destined to  
11 Manitoba comes from Saskatchewan.

12 MR. MAURO Q: I take it that would be  
13 the large grain shipments?

14 MR. STECHISHIN: I believe that a fair  
15 portion of that is grain traffic moving up to the  
16 port of Churchill.

17 THE CHAIRMAN: And livestock?

18 MR. STECHISHIN: And livestock -- no, that  
19 is not a product of agriculture.

20 MR. MAURO: That is not included in that  
21 chart, Mr. Chairman.

22 MR. STECHISHIN: On page 22 we deal with  
23 animal and animal products and this would include the  
24 livestock. Here we can see, if we total the  
25 Manitoba horizontal column, the eastern traffic is  
26 the 5, 6, 28 and 35, and we find that over two-thirds  
27 of the cars with animals and animal products are  
28 destined to eastern Canada; about one-third is within  
29 the province, and a very small movement westward.  
30 Of the inbound traffic to Manitoba about two-thirds







1  
2 of that comes from Saskatchewan, which is the 109,  
3 as a percentage of the 164.

4 Page 27 which is the animals and animal  
5 products only this time by revenue per ton, this  
6 is the average rate paid on animals and animal  
7 products. I draw your attention to this because it  
8 illustrates the high rates the Manitoba shipper of  
9 animal and animal products must pay to reach his  
10 markets, and two-thirds of his market is in eastern  
11 Canada, and the rates vary from \$58.71 to \$35.46 in  
12 Ontario. That might be compared with the Canadian  
13 average of \$28.23, which is the figure appearing  
14 in the bottom line in the lower right hand corner,  
15 or the total for all Canada.

16 Page 28 is mine products, again by car  
17 load and this shows the fact, I suppose, that most  
18 of the mine products are intra-provincial in their  
19 movement, and in almost every province the mine  
20 product traffic is local short haul traffic. It  
21 also illustrates the importance of the lignite  
22 coal movement particularly from Saskatchewan because  
23 of the total number of cars originating in  
24 Saskatchewan, 424, 204 of these are destined to  
25 Manitoba.

26 Page 33, mine products based on revenue  
27 per ton: as you look at these figures you can  
28 easily see the very low rate that products of the  
29 mines generally receive in all parts of Canada.  
30 There are variations, of course, but the average is







1  
2 only \$2.31, the total for all Canada, as compared  
3 with \$6.00 and something for all traffic.

4 Page 34 deals with forest products. The  
5 significant item here from Manitoba's point of view  
6 is the heavy movement of forest products from the  
7 province of British Columbia, that is, 41 cars  
8 unloaded in Manitoba out of a total of 74.

9 Page 39, dealing with the forest products  
10 by revenue per ton, illustrates that that heavy  
11 movement from British Columbia to Manitoba moves  
12 at a rate of \$24.73 on the average which, in itself,  
13 is about three times the national average for  
14 movement of forest and forest products in the Dominion  
15 of Canada.

16 MR. SINCLAIR: Is this a calculated figure?

17 MR. STECHISHIN: The three times?

18 MR. SINCLAIR: Yes.

19 MR. STECHISHIN: Well, 24 divided by eight  
20 is roughly three, Mr. Sinclair.

21 MR. SINCLAIR: No, no; the basic value.

22 MR. MAURO Q: Did you calculate this  
23 revenue per ton?

24 MR. STECHISHIN: The revenue in all cases,  
25 as I thought I had pointed out before, is the total  
26 shown revenue shown in the Waybill Analysis divided  
27 by the total number of tons to give you the revenue  
28 per ton.

29 Page 40 is manufactures and miscellaneous  
30





(Mauro)

1  
2 by carload. Here it can be seen that traffic  
3 originating in Manitoba, that is, again the  
4 horizontal line, about 40 per cent of the total  
5 is shipped into western Canada from Manitoba: that  
6 is the 86, 69 and 9, to Saskatchewan, Alberta and  
7 British Columbia. Roughly speaking 40 per cent  
8 is within the province and approximately 20 per cent  
9 going to eastern Canada. On inbound traffic which is  
10 now the vertical column, about 42 per cent of the  
11 manufacturer's goods, or carloads of goods, is from  
12 eastern Canada. About 30 per cent are of Manitoba  
13 origin and about 27 per cent are from points west of  
14 Manitoba.

15 Page 42 shows the manufactures and  
16 miscellaneous by revenue. This is total revenue --  
17 not revenue per ton. Here it can be seen that the  
18 traffic to the east, which I earlier said was 20  
19 per cent of the total, represents roughly 31 per  
20 cent of the revenue. That is the 1800, 16,200  
21 and 27,600.

22 Shipments from the east, which I earlier  
23 said accounted for 42 per cent of the number of  
24 cars, account for almost 70 per cent of the revenue  
25 that Manitoba receives on inbound traffic of  
26 manufactures and manufactured goods.

27 Mr. Chairman, I have the same type of  
28 calculations made on class rates, commodity non-  
29 competitive rates, commodity agree charges, statutory  
30 rates; so that, if it is necessary or desirable to







1  
2 make further calculations or extensions, the  
3 information is here. We have had to prepare it  
4 for our own use, and we felt we should make it  
5 available to the Commission.  
6

7 ---Short recess.  
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1  
2 MR. MAURO: Q. We were at paragraph 36.  
3 You had explained Table 3, Mr. Stechishin, and you had  
4 pointed out the fact that British Columbia traffic is  
5 84 per cent at the depressed rates. What  
6 about this favoured condition of British Columbia in  
7 relation to horizontal increases?

8 MR. STECHISHIN: The impact of United States  
9 railroad competition on British Columbia - east  
10 rates is brought about because of numerous exceptions  
11 in the long haul horizontal percentage increases in  
12 the United States. This results from the fact that  
13 the United States railroads when petitioning the  
14 Interstate Commerce Commission for a general rate  
15 increase, request, and obtain, what are known as  
16 "maximum increases" or "hold-downs".

17 38. Under this method the rates are increased  
18 by the stated percentage with a stipulation that no  
19 rate may be increased by more than a specified number  
20 of cents per hundred pounds. For example, the  
21 Commission's order might read: A ten per cent increase  
22 is authorized with a maximum of eight cents per  
23 hundred pounds. So that, any rate that may be below  
24 eight cents, for the sake of argument, would get a  
25 ten per cent increase, but if it were \$1 it would not  
26 increase to \$1.10. They would say only eight cents.

27 MR. COOPER: Mr. Chairman, before Mr. Mauro  
28 proceeds, I wonder if he would indicate the purpose of  
29 Exhibit 154? Is it related to any particular para-  
30 graph in the text, or just exactly what is the purpose





1  
2 of submitting it? I am sure if we have that infor-  
3 mation it would be of assistance to those persons  
4 who have to prepare for further cross-examination.

5 MR. MAURO: Well, it is largely submitted  
6 simply for the information of the Commission. It ties  
7 in with our general submission regarding the impact of  
8 increases on the movement of traffic in Canada, so as  
9 to better assess -- we have heard a lot of talk about,  
10 well, where does this traffic flow.

11 THE CHAIRMAN: You will be referring to it  
12 from time to time?

13 MR. MAURO: More, really, by way of argument,  
14 not necessarily to that exhibit, but simply because we  
15 thought it was time that it should be put into context.

16 MR. SINCLAIR: Of course, Mr. Chairman, this  
17 leaves us in a very difficult position because counsel  
18 specifically has drawn tables; one, revenue per ton  
19 figure which we object to. Unless he tells us what  
20 he is going to do with it, and also a sample of one  
21 per cent -- non-stratified -- unless we know what he  
22 is going to do with it is important to us in preparing  
23 any cross-examination we are going to do. Unless  
24 we are told, we cannot do anything with it.

25 MR. MAURO: If Mr. Sinclair feels there is  
26 any information in that table which is untrue, then I  
27 suggest that he has both a right and a duty to correct  
28 that.

29 MR. SINCLAIR: I am not going to check it.

30 MR. MAURO: Because the figures are presented







there by the Manitoba Government as a statement of the analysis of movement interprovincial and intraprovincial.

THE CHAIRMAN: What he has asked is what you are going to do with it.

MR. MAURO: Mr. Chairman, I am going to use it, obviously, in bolstering up my argument finally as to the impact of horizontal percentage increases and traffic flow in this country, and where this impact is felt, both into Manitoba and out of Manitoba, and from the various regions of Canada.

MR. SINCLAIR: Obviously, by looking at one of these tables, he cannot use it for that purpose. What is it there for? He should tell us.

MR. MAURO: I am not telling -- I do not think I am required to give a reason for every sheet in that exhibit. I have said and I have put in evidence that it was prepared on the basis of the Waybill Analysis.

Now, if there is some sheet in there that Mr. Sinclair opposes, and has a reason for opposing, let him say so. I am not required to explain every reason why I put in an exhibit before a court. I say it is in there in support of my case, and there it is.

MR. SINCLAIR: Of course it is, and it is my respectful submission that if we are not informed as to the use of this, the necessity of this exhibit, and if it is not explained, then it is irrelevant to the proceedings. Of course he is required to say what use he is going to make of it. We are not required to be blind-folded throughout the proceeding. There is a lot of





1  
2 hard work here, and I am sure it would not be prepared  
3 needlessly. He must have some reason for submitting it.

4 MR. FRAWLEY: Well, I might make use of it  
5 as a reference work. Has Mr. Sinclair any objection  
6 to that?

7 MR. MAURO: It is most ridiculous that an  
8 attorney would have to explain every sheet of an exhibit  
9 put in. I am going to argue it, and my learned friend  
10 can use it, too.

11 THE CHAIRMAN: What is the purpose of it?

12 MR. MAURO: I have said three times, Mr.  
13 Chairman, we are going to use it to support our descrip-  
14 tion of the impact of horizontal percentage increases  
15 and traffic f l o w in this country, and the impact  
16 of this burden in the Dominion of Canada.

17 THE CHAIRMAN: Well, go ahead.

18 MR. STECHISHIN: This method of amending  
19 the straight percentage increase has certain advantages  
20 to the railways.

21 39. American railroads, by and large, are  
22 regional railways. Although some may operate from  
23 one region to another, none are nationwide or trans-  
24 continental as are the two major railways in Canada.  
25 Goods are frequently produced in widely scattered areas  
26 and shipped to a few concentrated markets. Con-  
27 sequently, in addition to the producers in one area  
28 competing with the producers in the other areas, the  
29 railways serving each area also compete with the  
30 railways serving other areas.







1  
2 I might just explain there that the railways  
3 do not have to run side by side in order to be com-  
4 petitive. One may run from the south to Chicago, and  
5 one from the west to Chicago, but they are very  
6 competitive because of the nature of the commodities  
7 they are carrying.

8 This common interest is due to the fact that  
9 in most cases one railway does not serve two competing  
10 areas and if the shippers who are "on line" cannot sell  
11 their produce, the railway will also suffer since it  
12 does not participate in the traffic from the favored  
13 region. Once a rate relationship is established the  
14 two railways, and especially the one having the longer  
15 haul, have at least as great an interest in pre-  
16 serving that rate relationship as have the shippers.

17 40. For example, fruit is grown in Florida,  
18 Texas and California. The principal market centers  
19 around New York City. The distance from Florida  
20 points is about 1,200 miles, while from California  
21 about 3,100 miles. Let us assume the rate from  
22 a representative Florida point is \$1.20 and from  
23 California \$2.00. A 15 per cent increase would raise  
24 the Florida rate by 18 cents and the California rate  
25 by 3 cents. This would increase the disadvantage in  
26 transportation costs to the California shipper by 12  
27 cents and might result in loss of traffic to the  
28 Pacific coast railroads. These railroads, therefore,  
29 refuse to increase their rates by more than 18 cents  
30 and this figure becomes the maximum increase on all





1  
2 traffic in this commodity throughout the United States.  
3 The increase is then quoted as 15 per cent, maximum  
4 18 cents per 100 pounds.

5 41. A similar situation exists with lumber where  
6 production centers in the Pacific Coast and the South.  
7 Lumber from the south encounters competition from Coast  
8 lumber at Chicago. The distance from Hattiesburg,  
9 Mississippi, in the center of the south producing  
10 area to Chicago is 718 miles and from the Pacific  
11 Coast approximately 2184 miles. In this case too, the  
12 Pacific Coast lines use the amount produced by the  
13 percentage increase in the Hattiesburg-Chicago rate  
14 as their maximum.

15 42. As with the coal, however, those shippers  
16 and railways who are favoured with shorter haul protest  
17 that "hold-downs" or "maximums" deny them the  
18 benefit of their geographic advantage and complain  
19 of discrimination.

20 43. There are many other situations where one  
21 railway uses the percentage increase on another  
22 railway as a maximum but in each case shown above  
23 there is a basis for the maximum which can be  
24 supported even if not always accepted by everyone.

25 MR. MAURO: Q. Would such a method, Mr.  
26 Stechishin, operate satisfactorily in Canada -- this  
27 method of hold-downs?

28 MR. STECHISHIN:

29 44. In Canada, however, the maximum figure  
30 stipulated must of necessity be an arbitrary one and







would lead to complaints from those shippers who are just under the maximum.

45. If Canada had an eastern railway and a western railway meeting at, say Winnipeg, a specific maximum increase could be supported. Canned goods are shipped to Winnipeg from Hamilton, a distance of 1,250 miles, and from Vancouver, a distance of 1,485 miles. The western railway could support a maximum increase based on the Hamilton-Winnipeg mileage since otherwise the Vancouver supplier would lose sales and the traffic would be lost by the western railway. However, in Canada, each railway serves both east and west and although the percentage increase might result in a diversion of traffic from Vancouver in favour of Hamilton, such diversion is not from one railway to another. The railways have stated that market competition is not recognized within Canada. The method has a further disadvantage in that maximum increase might not recover the actual increase in cost in the case of the very long haul shipper, thus tending to shift an undue burden on those shippers located at intermediate points.

And here, Mr. Chairman, we have prepared a table to try and show the effect that a hold-down might have on a percentage rate increase.

The first column, column 1, is representative miles. Column 2 is the base rate or the rates prior to any increase for each one of those miles. Column 3 shows the effect of a 20 per cent rate on the base rate.







Column 4 is the 20 per cent, with the maximum of 16 cents. Column 5 is the 30 per cent increase with the maximum of 16 cents. Column 6 is the difference between column 5 and column 3.

Table 4

(1)	(2)	(3)	(4)	(5)	(6)
Miles	Base Rate	20% In- crease	20% max. 16¢	30% max. 16¢	Col. 5-3
200	20	24	24	26	plus 2
375	30	36	36	39	plus 3
575	40	48	48	52	plus 4
775	50	60	60	65	plus 5
975	60	72	72	76	plus 4
1175	70	84	84	86	plus 2
1375	80	96	96	96	0
1600	90	108	106	106	minus 2
1800	100	120	116	116	minus 4
2000	110	132	126	126	minus 6
2300	120	144	136	136	minus 8
Total	770	924	904	924	

Notes:

This table is illustrative rather than typical. Column (1) is the representative mileage at which the rate in column (2) would be charged. The total of the rates in column (2) represents an index of the rail revenue which would accrue if the traffic volume was identical at each mileage block.





Column (3) represents the rates if each rate in Column (2) were increased by 20 per cent.

It will be noted that the total of column (3) is the total of column (2) plus 20 per cent.

Column (4) is the same as column (3) except that no rate is permitted to be more than 16 cents higher than column (2). It will be further noted that the total of column (4) is only 20 points less than column (3) out of a total of over 900 suggesting perhaps that not too much revenue is lost by the "hold-down".

Column (5) shows that in order to recover the 20 points lost by reason of the 16-cent holddown in column (4), the basic increase must be raised to 30 per cent from 20 per cent.

Column (6) shows the net impact of the hold-down principle on the various lengths of haul.

THE CHAIRMAN: That is the short haul would go up up to 1000 miles?

MR. MAURO: About 1,175, to be exact, sir, that is right.

Q. As the Chairman has just mentioned, Mr. Stechishin, under the table, which is purely illustrative, the shippers up to 1,175 miles take a greater increase, while those 1,600 to 2,300 miles take a reduced increase; is that correct?

MR. STECHISHIN: That is correct, on the assumption that the increase is 20 per cent, and that the maximum increase is 16 cents.







1  
2 THE CHAIRMAN: What do you regard as long  
3 haul?

4 MR. STECHISHIN: It is necessarily an  
5 arbitrary decision. I do not think that I could hold  
6 any one particular figure and say that that is a long haul,  
7 but one mile shorter is a short haul. I do not think I  
8 could make such an answer, Mr. Chairman.

9 MR. MAURO: Q. Would you give a range, over  
10 a specified number of miles might be classified as long?

11 MR. STECHISHIN: Certainly over 1000 miles  
12 would be classified as a long haul, and anything under  
13 200 miles would be short. But I would not want to pin  
14 it down as between 1000 and 200 as to which one was a  
15 long haul and a short haul.

16 Q. Would you go on, please, Mr. Stechishin?

17 MR. STECHISHIN:  
18 46. Because this method of increasing rates would  
19 not yield the necessary revenue which the railway require  
20 to meet their increased costs, the regulatory authority  
21 usually permits a larger percentage increase than  
22 would otherwise be necessary to recover this deficiency.  
23 For example, if the railways require a 20 per cent  
24 increase, the regulatory body will grant 30 per cent  
25 with a maximum of 16 cents.

26 That is not necessarily a hard and fast figure  
27 -- that 30 per cent -- but it is just illustrating the  
28 point.

29 This larger percentage generally falls with  
30 the greatest impact on the medium or intermediate length





1  
2 hauls. In any case, the percentage element of the  
3 increase still does not reflect the differences  
4 between the increased line haul and the increased  
5 terminal costs.

6 47. In Canada the principal exception to hori-  
7 zontal percentage increases is evidenced by the method  
8 of increasing rates on coal and coke, in which instance  
9 the Board and railways have not instituted increases  
10 by means of a percentage increase but by a flat number  
11 of cents per ton. This method also is objectionable  
12 to certain shippers, particularly the short haul  
13 shippers, who find that their relative geographical  
14 advantage in a given market has been injured. One  
15 would have to conclude that both of these alternative  
16 methods to horizontal percentage increases fail to  
17 maintain the proper balance between the short haul  
18 shipper and the long haul shipper. While both of  
19 these methods tend to alleviate the burden of the long  
20 haul shipper, in the one case, holddowns, an undue  
21 burden is assessed against the shipper with inter-  
22 mediate hauls and in the other instance, a flat  
23 increase, an undue burden is assessed against the  
24 shipper with the very short haul.

25 48. Any lasting solution must be directed to  
26 achieving a proper balance between the long haul  
27 shipper, the intermediate shipper and the short haul  
28 shipper. This can best be done by a proper distribution  
29 of the increased terminal costs and the increased line  
30 haul costs.







1  
2 Q. What is this alternative method which  
3 the province of Manitoba is proposing?

4 MR. STECHISHIN: The formula which the  
5 province of Manitoba wishes to present for consideration  
6 is as follows: In the absence of the necessary cost  
7 data we have assumed that, for purposes of exposition  
8 increased costs experienced by the railways are  
9 evenly divided between terminal and line haul costs.  
10 When it has been determined that an increase in rates  
11 is necessary and the amount required is also  
12 established, the regulatory agency would take half  
13 the amount required and allow a percentage increase  
14 necessary to provide that portion. The other half of  
15 the required amount would be divided by the number of  
16 tons of estimated traffic and that portion of the  
17 increase would be granted as a specified number of  
18 cents per ton or one hundred pounds. For example,  
19 if the railways have shown that an additional  
20 \$30 million is required, we have assumed that \$15  
21 million of this amount is due to increased terminal  
22 costs and \$15 million is due to increased line haul  
23 costs. However, should a subsequent study show  
24 that this is incorrect, the formula can be  
25 changed to conform to actual experience. By way of  
26 illustration, if in a future rate increase case the  
27 railways should establish that their additional  
28 requirements are say \$30 million and that these  
29 requirements are occasioned by an increase in  
30 terminal costs of \$10 million and of line haul costs







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Stechishin, Rutledge,  
Trachtenberg, dir  
(Mauro)

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1  
2 of \$20 million, our proposal would then envisage that  
3 the \$20 million would be obtained by a percentage  
4 increase and the \$10 million would be obtained by  
5 a flat number of cents per hundred pounds, depending on  
6 the estimated tonnage to be moved.

7 THE CHAIRMAN: In Manitoba this would mean  
8 that all rail traffic out of Winnipeg to any point in  
9 Manitoba would go up?

10 MR. STECHISHIN: Well, it does under any  
11 form of increase, Mr. Chairman.

12 THE CHAIRMAN: It would go up more by this  
13 formula than by the horizontal?

14 MR. STECHISHIN: Short haul, low-rated  
15 traffic.

16 MR. MAURO: The short haul low-rated traffic  
17 would definitely go up more under this scheme than  
18 under the horizontal percentage method.

19 MR. STECHISHIN:  
20 50. Any alternative scheme for the application  
21 of rate increases must take into consideration two  
22 major factors: firstly, the impact on the shippers  
23 and secondly, that any resultant scheme does not  
24 impair rail revenues. It is our considered opinion  
25 that the proposal of the province of Manitoba would  
26 tend to minimize the dollar increase on the long  
27 haul traffic while at the same time maximizing the  
28 contribution from short haul traffic. We would  
29 refer to diagrams II-2 and II-3 which illustrate our  
30 proposal in operation.





1  
2 51. Tests which have been made of the unrestricted  
3 application of this formula to the rates on the very  
4 short haul traffic and to low grade commodities moving  
5 at low rates indicate that some qualification in the  
6 application of this formula may be necessary in order  
7 to maintain traffic flow.

8 52. There are indications that some of this low-  
9 rated, short haul traffic may be moving below out of  
10 pocket costs, and theoretically at least should be  
11 abandoned to competing modes of traffic. However, the  
12 formula is presented on the assumption that this  
13 traffic is making some contribution to overhead  
14 and that any rate proposal should realistically attempt  
15 to reflect traffic conditions as they exist. For  
16 this reason, we have made a modification which would  
17 tend to alleviate the impact of the formula on this  
18 type of traffic but which at the same time would recog-  
19 nize the fact that the costs have gone up to a greater  
20 degree relatively than have the costs on long haul  
21 traffic. The modification used in these diagrams  
22 consists of assessing a higher percentage increase  
23 with the proviso that the increase to be applied would  
24 be the lower of such higher percentage increase or the  
25 formula as previously outlined. Thus a low grade,  
26 low rated commodity moving at a rate of say 10 cents  
27 before the increase would be subjected to the lower of  
28 either a 40 per cent increase which would represent  
29 4 cents or the formula which might provide for 3.5  
30 cents plus a 10 per cent increase or a total of 4.5







cents. In this illustration the increase would be limited to 4 cents.

MR. MAURO: Now, Mr. Stechishin, we had referred at the end of paragraph 50 to diagrams II-2 and II-3 which will become Exhibits 153-B and 153-C.

---EXHIBIT NO. 153B:      Diagrame II-2: Comparison of the Effects of a 20 per cent horizontal increase with an increase of 3.5 cents. per 100 pounds plus 10 per cent as modified.

---EXHIBIT NO. 153C:      Diagram II-3.





(Mauro)

1  
2 MR. MAURO: We have blown up these two  
3 exhibits, Mr. Chairman, for perhaps ease of  
4 explanation.

5 Q. Now, Mr. Stechishin, would you  
6 please describe this exhibit and what it purports  
7 to show?

8 MR. STECHISHIN: Mr. Chairman, this is a  
9 chart showing the typical rate scale based on a  
10 percentage of the existing class rate scale in order  
11 to have the standardized rate of taper. The  
12 column on the left is the cent per 100 pounds; the  
13 column across the bottom is mileages; the lowest  
14 line in the steps is the present rate. The steps  
15 indicate the block in the present rate structure,  
16 and if you look across 2,000 miles you find a rate  
17 of \$1.10 roughly. The line, the solid line plus  
18 the dot, and so on, as can be seen on the legend,  
19 is the resulting rate on this scale which would  
20 fall from a 20 per cent increase in rates, and it  
21 is the line which starts out slightly above the  
22 solid line originally and then extends almost to  
23 the top of the righthand top corner. That is the  
24 line with the dot and then a solid line and another  
25 dot.

26 Q. The interesting thing there is the  
27 constantly expanding difference between --

28 MR. STECHISHIN: In the very short range it is only  
29 slightly above the solid line; by the time we get  
30 into the long haul traffic there is a considerable





1  
2 spread between the two lines. The third line is  
3 a dotted line or a dash-dash-dash line, and this is  
4 the scale which would result if the formula we  
5 are discussing here were adopted. I should give  
6 the calculations. We have arrived at the conclusion  
7 that an increase of 10 per cent plus 3.5 cents  
8 per 100 pounds would give to the carriers roughly  
9 the same revenue as the 20 per cent increase would,  
10 and this is represented on the chart here by ---

11 MR. SINCLAIR: You said "calculation".  
12 Are you going to file that calculation?

13 MR. STECHISHIN: I don't have it with me.

14 MR. SINCLAIR: I wonder if that could be  
15 made available?

16 MR. MAURO: We will have to see whether  
17 it is available, Mr. Chairman.

18 MR. STECHISHIN: This dotted or dash line  
19 starts out somewhat above the second line that I  
20 referred to, crosses it around 400 or 500 miles,  
21 or 35 cents to 45 cents, and then continues up in  
22 pretty well the same general direction but lower,  
23 so it has about a third less of a spread at the  
24 higher reaches, although it is higher than the  
25 second line in the lower reaches.

26 MR. MAURO: The exhibit 153-C, Mr.  
27 Chairman and Commissioners, is nothing but a blow-  
28 up of the previous one, but it is limited to 60  
29 in the rate scale and to 900 miles just to show  
30 what we are trying to illustrate in this question







1  
2 of the short haul.

3 MR. STECHISHIN: The solid line is the  
4 base rate and the dash and dot is the 20 per cent  
5 increase, and the other line with the straight  
6 dashes is the ten per cent plus 3.5 cents.

7 Then down on the left-hand section you  
8 will find a small dotted line. This dotted line  
9 is the effect of the modification which we discussed  
10 earlier for this low rated short haul traffic which,  
11 in our opinion, was unduly penalized formerly without  
12 the modification. So instead of the increase the  
13 rate of, say seven cents to about 11 cents would  
14 only go up to possibly 9 cents or  $9\frac{1}{2}$  cents; and then  
15 this small dotted line only extending as far as  
16 35 or 40 miles ---

17 MR. SINCLAIR: Is that calculated?

18 MR. MAURO: My learned friend is going  
19 to have ample time to cross-examine.

20 THE CHAIRMAN: There is nothing wrong in  
21 asking a question.

22 MR. SINCLAIR: If I am going to cross-  
23 examine I would have to understand how it was  
24 calculated.

25 THE CHAIRMAN: Do you think the truckers  
26 would welcome this?

27 MR. STECHISHIN: I don't think I could  
28 answer for the truckers.

29 MR. MAURO Q: You have calculated this,  
30 and in this case you have assumed the 50-50 method





1  
2 and having explained that if subsequent information  
3 and study showed that the terminal costs were  
4 greater or lesser than that percentage, the cents  
5 per one hundred pound portion would be made to  
6 reflect that lower or greater amount. You  
7 calculated this to return the same amount of revenue  
8 as a straight percentage increase?

9 MR. STECHISHIN: Yes, that is correct.

10 Q. And you have used the same attrition  
11 figures the railways did in the 17 per cent case?

12 MR. STECHISHIN: Yes - attrition ratios,  
13 I should say.

14 Q. Now, Mr. Stechishin, have you  
15 tested this formula against actual traffic movement?  
16 I wonder if you have tested this formula that we  
17 are proposing here against actual traffic movements  
18 so that the Commission might see that beyond the  
19 theoretical level the impact it might have on  
20 authentic traffic movements in Canada?

21 MR. STECHISHIN: Yes, I have, and I have  
22 prepared some results of that analysis that we made.

23 MR. MAURO: I wish to put in evidence  
24 Table II - 2A, which will become Exhibit 153-D. It  
25 is a three-page document.

26 ---EXHIBIT 153-D, Comparisons of Specific Movements  
27 Showing Base Rates, 20 per cent Horizontal  
28 Increase, and Increase of 10 per cent plus 3.5  
29 cents.  
30







(Mauro)

MR. MAURO Q: Would you discuss that exhibit, Mr. Stechishin.

MR. STECHISHIN: Mr. Chairman, this again is taken from the Waybill Analysis, and rather than go through the entire text I selected those movements which were shown in the Waybill Analysis as yielding \$10,000.00 in revenue. It covers well over half of the total Canadian traffic as reported in the Waybill Analysis and I didn't bother with those small movements where they were single cars or only two cars.

The first two columns, "From" and "To", indicate the provinces in which the traffic originated, "To" is the province to which the traffic was destined. The third column headed "No." is the Board of Transport Commissioners' index number in their own classification. The fourth column is the commodities, and they are listed as they appear in the Waybill Analysis. The next three columns per Waybill Analysis - 1958 is information extracted directly from the Waybill Analysis, and that shows the number of hundred-weights -- I converted it to hundred-weights -- and gives the average haul in miles, also calculated from the Waybill Analysis. The third column is the average rate per one hundred pounds expressed in cents per one hundred pounds, and that again is the average as reported by the Waybill Analysis.

The next two columns or para columns are the result of taking the rate shown in the column which is referred to and increasing it in one case by 20 per





cent and in the other case by 10 per cent plus 3.5 cents per one hundred pounds. The next para column is the same information, only with the difference, and the difference between 3.2 and 3.8, for example, is .6, the difference between 3.2 and 4.5 is 1.3, the actual amount of the increase as opposed to the resulting rate.

The last column, "Difference", is the difference between the formula we are proposing of 10 per cent plus 3.5 cents and the 20 per cent increase. So reading the first line across it becomes a movement from Ontario to Ontario, No. 314, copper, nickel, ore and concentrates, 517,124 hundred-weights, an average haul of 16 miles, an average rate of 3.2 cents per one hundred pounds. That rate increased by 20 per cent became 3.8 cents per one hundred pounds; that rate increased by 10 per cent plus 3.5 per cent becomes 4.5 cents. The amount of the increase under the 20 per cent is .6 cents; the amount of the increase under the formula as modified becomes 1.3 cents, and the difference between the formula as modified and the 20 per cent increase is a further increase of .7 cents.

The asterisk shown in the column indicates that this modification has become effective on those particular rates. The note 1 appearing opposite pulpwood is to indicate that pulpwood, being a Maritime movement, is subject to the Maritime Freight Rates Act; the Waybill Analysis only reports the net figure.





1  
2 So on the assumption that the rate was  
3 reduced by 20 per cent, we based our increases on the  
4 assumption that the rate here was 80 per cent of  
5 the actual rate, so the formula was applied against  
6 the theoretical rate.

7 Note 2 is a movement of coal or coke, as  
8 the case may be, and because these movements have  
9 not been subjected to the horizontal percentage  
10 increases in the past, we felt that there was no  
11 point in showing a comparison between something that  
12 did not exist and the formula.

13 Note 3 covers grain subject to the Crow's  
14 Nest Pass Agreement. Now, that had to be an  
15 assumption in some cases, but it was judged to be  
16 such because of the movement. There may be some  
17 domestic grain in that movement, but we have no way  
18 of separating the two.

19 For example, on page 2 on the twenty-fourth  
20 line, Manitoba to Ontario, barley: we assumed that  
21 was all Crow grain, and the same is true in every  
22 place where you find footnote 3.







Footnote 4, the particular movement appears on page 3 in the third line and that is potatoes from Prince Edward Island to Ontario. Because this is a movement from a point within the Maritimes to Ontario it is subject to 30 per cent reduction under the Maritime Freight Rates Act but that only applies to the Maritime portion. We had no way of separating the Maritime portion from the other portion, so we cut it in half -- one-half of the thirty per cent.

Q. Looking at it generally it would appear that the intra movements, for example, copper and nickel, Ontario to Ontario, having an average haul of 16 miles, under the Manitoba proposal would be an increase of .7 cents more than under the horizontal method?

MR. STECHISHIN: That is correct.

Q. And that progression continues, Quebec-Quebec, which is an intra movement, and Newfoundland-Newfoundland right down -- well, you get ---

MR. STECHISHIN: There are exceptions.

Q. Yes, I notice Alberta which is 103 miles has a reduction of .6 cents.

MR. STECHISHIN: It is 183 miles, but it has a rate of 41 cents. The next shipment, the pulpwood from Ontario to Ontario, for the same distance is 14 $\frac{1}{2}$  cents. This is not only aimed to raise the rate on the short haul traffic, but also on the very low rated traffic even if it is not a short haul.

Q. But I notice as the hauls get longer,





1  
2 Ontario-British Columbia 2692 miles -- this is on  
3 page 3 -- automobiles -- there is a reduction under  
4 your proposal of 67 cents per one hundred pounds?

5 MR. STECHISHIN: That is correct.

6 Q. As opposed to a straight horizontal  
7 increase?

8 MR. STECHISHIN: That is the twenty-first  
9 line on page 3.

10 Q. Do you wish to make any additional  
11 comments on that exhibit?

12 MR. STECHISHIN: Well, I will mention this,  
13 that from the actual movement that we tested against  
14 it there was only one case where the additional  
15 increase was as high as two cents, and that happened  
16 to be next to the one you referred to of pulpwood,  
17 Ontario to Ontario, where the present rate is  $14\frac{1}{2}$   
18 cents. That rate would be increased under a  
19 percentage increase to 17.4 cents; under our formula  
20 to 19.4 cents and would be two cents more. The  
21 rate, of course, is an extremely low one for that  
22 distance.

23 Q. I believe there is another table,  
24 II - 2B which will become Exhibit 153-E.

25 --- EXHIBIT NO. 153-E Table Comprising four sheets  
26 entitled amounts by which representative rates  
27 are increased under the 20 per cent horizontal  
28 increase and under the proposal outlined by  
29 Manitoba.  
30







Stechishin, Rutledge,  
Trachtenberg, dir.  
(Mauro)

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1  
2 MR. STECHISHIN: This, Mr. Mauro, is nothing  
3 more than a straight comparison of rates under the  
4 one formula and the other, and it was prepared  
5 initially to facilitate our work in doing some of the  
6 other work we had to do. It does show the details  
7 of the modification. The column on the left hand,  
8 first of all, on rates prior to the increase, reading  
9 the four sheets consecutively, is the existing rate  
10 of -- an existing rate, and we went up one cent at  
11 a time up to 50 cents and then by five cents to  
12 300 and then by 25 cents up to 1500, and there are not  
13 too many higher than that in Canada today.

14 Q. So, the left hand column, the first  
15 number is one cent per one hundred pounds?

16 MR. STECHISHIN: Yes.

17 Q. And it runs all the way up to  
18 \$15.00 per one hundred pounds?

19 MR. STECHISHIN: Yes.

20 Q. And the second column?

21 MR. STECHISHIN: The second line is the  
22 amount of increase; that is, the difference in rates --  
23 not the resulting rate -- from a 20 per cent increase,  
24 and it shows a one cent rate would not be increased  
25 at all because of the disposition of fractions, and  
26 the two cent rate would go up by half a cent, as  
27 would a three cent rate, and a four cent rate would  
28 go up three-quarters of a cent, and the five cent rate  
29 by one cent, and the six cent rate by one cent.

30 Q. And \$2.00 per one hundred pound rate





would go up 40 cents?

MR. STECHISHIN: That is correct.

Q. And under the next column?

MR. STECHISHIN: The next column is the modification. It is a very short column and it is -- I think we explained that we increased the original rate by 40 per cent, and if the resulting figure was lower than that produced by the formula, we set that as the rate that should have applied, so, the one cent rate as modified should go up half a cent whereas under the 20 per cent increase it would not go up at all, and the two cent rate would go up three-quarters of a cent as opposed to half a cent. The three cent figure would go up by half a cent at 20 per cent and by  $1\frac{1}{4}$  under the modified formula, and so on. At 12 cents the modification as opposed to the formula produced a five cent increase, so it was felt there was no further point in continuing the modified formula.

Q. Under those rates which presently are 12 cents and under -- assuming this increase of 20 per cent by our formula -- 12 cents per one hundred pounds and under would be subject to the modification?

MR. STECHISHIN: That is correct.

Q. And above 12 cents per hundred, or whatever the comparison is in the mileage scale -- the rate is still authentic -- it would then be subject to the Manitoba formula without the modification?







1  
2 MR. STECHISHIN: That is true.

3 Q. So, at \$2.00 that same rate of \$2.00  
4 per one hundred pounds on page 3 under the straight  
5 20 per cent increase, the increase would be 40  
6 cents, and under our proposal it would be 24 cents  
7 per hundred?

8 MR. STECHISHIN: That is correct, and the  
9 last column is the formula we have proposed here  
10 and it is just worked out as it might affect each  
11 one of the figures. Here I might point out that  
12 the formula proposes an increase greater than the  
13 20 per cent increase up to about 35 cents or so,  
14 where it is the same, and then, of course, the  
15 differences within that short range are due to  
16 dispositions of fractions, but by the time we get  
17 to 45 cents it then is lower than the increase  
18 under the 20 per cent and it continues to become  
19 lower as the rate is self increasing.

20 Q. That is the distance here (indicating  
21 diagram)?

22 MR. STECHISHIN: Yes, and it is shown  
23 better on the original where it gets wider and wider  
24 as the rate itself increases?

25 Q. And it is the opinion of the province  
26 of Manitoba that this proposal would tend to minimize  
27 the dollar increase on the long haul traffic while  
28 at the same time maximizing the contribution from  
29 short haul traffic?

30 MT. STECHISHIN: That is correct.







(Mauro)

Q. What is the next item under the subject of inequities which you wish to place before this Commission?

MR. STECHISHIN: The next is on inter-line rates.

53. Rail rates, in the absence of competitive influences, normally reflect mileages, either between the respective stations or between the key points. There are, however, some major exceptions. These occur when the traffic must move, of necessity, partly over the line of one railway and partly over the lines of another railway. In these circumstances the rate charged is not based on the total mileage, but on the sum of the rates to and from the interchange point. A token deduction is made from the sum of these rates but it is too small in proportion to the added cost to be of any solace to the shipper.

54. The following is a comparison of the basis for constructing the normal mileage commodity rate on scrap iron from two approximately equidistant points, one on the C.P.R. and one on the C.N.R. to Selkirk, Manitoba which is located on the Canadian Pacific Railway. Dodsland, Sask., a point on the C.N.R. a distance of 574.6 miles from Winnipeg and Piapot, Sask., on the C.P.R. a distance of 575.5 miles from Winnipeg have been used. Selkirk, Man., is 22.9 miles from Winnipeg.

This is tracing through the method of calculating or determining the rate and from Piapot --





1  
2 you first determine the mileage from Selkirk by  
3 the route of movement is 594.6 miles, and from  
4 that mileage figure, 594.6, you determine the rate  
5 plus the increase in the tariff.

6 MR. SINCLAIR: Is this the actual?

7 MR. STECHISHIN: This is the actual, yes.

8 MR. SINCLAIR: This is the traffic which  
9 moves?

10 MR. STECHISHIN: Yes. From Dodsland to  
11 Winnipeg there are different procedures used. Here  
12 you determine the rate from Dodsland to the interchange  
13 points, which happens to be Paddington, and you  
14 determine that portion of the mileage and then the  
15 rate, and then you take the Canadian Pacific mileage  
16 from Paddington to Selkirk and determine the rate for  
17 that which is in this case here 14 cents and you  
18 add the two resulting rates together, and then deduct  
19 from -- before you add them together you deduct from  
20 each rate, because it is going to be a combination  
21 rate-- a specified figure in the tariffs -- add  
22 these two resulting figures together to get your  
23 through rate, so that here we see that for roughly  
24 the same distance a shipment moving all over the  
25 lines of the C.P.R. is 70 cents on combination rate  
26 with the deductions, becomes  $82\frac{1}{2}$  cents.

27 Q. As I read these figures, Piapot to  
28 Selkirk, the rates are constructed by adding the  
29 mileage to and from the junction point and determining  
30







the rate on the through mileage. In the case of Dodsland to Selkirk the rates are constructed by taking the rate to and from the junction point and adding the resultant rates?

MR. STECHISHIN: Yes in one case you add the mileages and in the other the rates.

1. C.P.R. Line

Piapot to Winnipeg	575.5 miles	1
Less Rugby to Winnipeg	1.9 miles	2
Piapot to Rugby	573.6 miles	3
Winnipeg to Selkirk	22.9 miles	4
Less Winnipeg to Rugby	1.9 miles	5
Rugby to Selkirk	<u>21.0 miles</u>	6
Piapot to Selkirk	594.6 miles	7
Mileage rate for 594.6 miles	59¢	8
Increase to include CFA 83-A	65¢	9
Increase to include CFA 84-A, Supp. 1	70¢	10

2. C.N.R.

Dodsland to Winnipeg	574.6 miles	1
Winnipeg to Paddington	<u>4.3 miles</u>	2
Dodsland to Paddington	<u>578.9 miles</u>	3
Mileage rate for 578.9 miles	59¢	4
Incr ased to include CFA 83-A	65¢	5
Increased to include CFA 84-A, Supp. 1	70¢	6
Less 1¢ under item 8	69¢	7
Paddington to Winnipeg	3.2 miles	8
Winnipeg to Selkirk	<u>22.9 miles</u>	9
Paddington to Selkirk	<u>26.1 miles</u>	10





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1			
2	Mileage rate for 26.1 miles	12¢	11
3	Increased to include CFA 83-A	13¢	12
4	Increased to include CFA 84-A, Supp. 1	14¢	13
5	Less 1/2¢ under item 8	<u>13 1/2¢</u>	14
6	Through rate (Line 7 plus Line 14)	<u>82 1/2¢</u>	15

7  
8 55. Thus it can be seen that despite the fact  
9 that the C.P.R. station, Piapot, is one mile further  
10 from the common junction point, Winnipeg, the normal  
11 rate over the line of one railway is 70 cents, while  
12 the rate via the joint route is 82 1/2 cents.

13 56. Because of the volume of scrap iron moving  
14 to Selkirk, the railways have made a concession and  
15 have recently published an exception rating to  
16 Selkirk on this commodity where the traffic originates  
17 on the tracks of the other railway. As a result of  
18 this special reduction, the rate from Piapot is 70  
19 cents and from Dodsland, 81 cents (Item 6408, CPW 975).

20 Q. Does the situation that you have  
21 just outlined generally apply in the Canadian freight  
22 rate structure?

23 MR. STECHISHIN: Under the Class 100 rate  
24 scale, a shipment in western Canada moving 50 miles  
25 over the lines of one railway to a junction point, and  
26 then 50 miles over the lines of the other railway to  
27 destination would be rated at the sum of two 50  
28 mile hauls less the token reduction referred to.  
29  
30





50 miles C.P.R. @	\$ .96	
less	<u>.01</u>	
		\$ .95
50 miles C.N.R. @	\$ .96	
less	<u>.01</u>	
		\$ <u>.95</u>
Through rate		\$ <u>1.90</u>

58. If the shipment moved 100 miles over the lines of one railway only, the rate would be \$1.32 or 58 cents less. Thus the sum of two rates, each covering a relatively short haul, is considerably higher than the rate charges on single hauls of the same total mileage. This extra charge is not assessed when two railways can combine to reach a point served by a direct line of a third railway and this is the usual practice in the United States.

Q. I believe you have a diagram to illustrate this point. It is diagram II-4 which will become Exhibit 153-F.

--- Exhibit 153-F diagram II-4 entitled Choice of all Rail Routes available to Shippers between Eastern and Western Canada in 1939.

MR. STECHISHIN: I might mention, Mr. Chairman, that the year 1939 was selected because that was the date of the particular tariff -- the date the tariff was issued -- and I didn't want to go through the supplements. The tariff has now been supplanted by a subsequent tariff. I have used







1  
2 Hamilton in eastern Canada as a point of origin  
3 and Winnipeg in western Canada as the destination.  
4 This tariff was taken to show the wide variety of  
5 routes that were at least at that time available to  
6 a shipper in Hamilton shipping his goods to Winnipeg,  
7 or in Winnipeg shipping to Hamilton. The shipper  
8 could, if he chose, ship from Hamilton to North Bay  
9 via the Canadian National Railway, then via the  
10 Ontario Northland -- it had a different name at  
11 that time -- to Cochrane, and then via the Canadian  
12 National to Winnipeg. Or, the shipper could ship  
13 from Hamilton via the C.N. to North Bay and C.P.R.  
14 to Winnipeg. Or, he could ship C.P.R. all the way. Or  
15 he could ship C.P.R. to St. Mary's Transfer and  
16 take the D.S.S.A., or the Soo Line Railways both  
17 of which are subsidiaries of the C.P.R., to Duluth,  
18 and then on by the Soo Line then the C.P.R. to  
19 Noyes and into Winnipeg. He might elect to use one  
20 of the more southerly routes in the United States  
21 and ship via the Canadian National Grand Trunk to  
22 Milwaukee. From Milwaukee he has his choice of  
23 three railroads and two different routes; either  
24 via Minneapolis or the others shown. He might  
25 ship via the Canadian National Grand Trunk to  
26 Chicago and then he has the choice of half a dozen  
27 different railways running into Minneapolis, some  
28 even going south to Peoria and back up to Minneapolis.  
29 There are approximately 141 different all rail routes  
30 the shipper could have used -- different combinations





1  
2 of those, between Hamilton and Winnipeg.

3 Q. Assuming he had all of these choices,  
4 what about the rates that would be assessed?

5 MR. STECHISHIN: No matter which one of  
6 these routes the shipper elected, and no matter which  
7 one, or how many interchanges there were -- that is,  
8 how many times it had to move from one railway to  
9 another -- the rate arriving at Winnipeg would be  
10 identical for every one of these 141 different  
11 routes.

12 COMMISSIONER ANSCOMB: Is that so now,  
13 or is this in 1939?

14 MR. STECHISHIN: Well it is not so now  
15 because the bridge subsidy is not applying on  
16 traffic moving via the United States.

17 MR. MAURO Q: Would you carry on, please,  
18 Mr. Stechishin.

19 MR. STECHISHIN:  
20 59. While Canada at one time did have a number  
21 of major railways competing for traffic, all but  
22 the Canadian Pacific Railway have been combined into  
23 one system, presumably for efficiency and to reduce  
24 operating costs. Since the Canadian National System  
25 was formed in 1923, rate and routing arrangements  
26 which were in force between the components of that  
27 railway and the Canadian Pacific gradually have  
28 become more restricted, particularly in western  
29 Canada. The government of Manitoba has no desire to  
30 see any railway short haul itself, but it feels that







1  
2 this problem of inter-line routing is largely a  
3 matter to be settled between the railways themselves  
4 and should in no way be reflected as an additional  
5 cost in individual rates. Consolidation of lines  
6 which was designed to reduce relative operating costs  
7 has not led, however, to lower rates but has resulted  
8 in fact in increases in certain instances.

9 60. Within western Canada where trade patterns  
10 were not yet fully established and where shippers were  
11 not as well equipped with alternative forms of  
12 transport with which to deter the railways from  
13 making such routing adjustments, the Canadian National  
14 Railways have long since been able to remove those  
15 arrangements by which a shipper could use the Canadian  
16 Pacific Railway and say the Grand Trunk Pacific to  
17 obtain lower charges than using the Canadian Northern  
18 from origin to destination.

19 61. Today in western Canada, with only limited  
20 exceptions, all rates are based on the through mileage  
21 over the line of one railway, if serving both origin  
22 and destination. Where origin and destination are on  
23 different railways, the through rate is constructed by  
24 adding the local rates to and from an officially  
25 recognized inter-change point. It should be  
26 understood that an interchange point and a junction  
27 point are not necessarily comparable.

28 Q. I notice on pages 25 and 26 there  
29 is a list of competitive stations or junction points  
30 in western Canada, and you have marked with asterisks





1  
2 the official interchange points, is that correct?

3 MR. STECHISHIN: That is correct. This  
4 table lists the junction points in western Canada  
5 in the Canadian Pacific and Canadian National as  
6 taken from the published tariffs, and the asterisks  
7 show these junction points where interchange is  
8 available to the shipper transferring traffic from  
9 the C.P.R. to the C.N.R. or vice versa.  
10  
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30





Table 5

LIST OF COMPETITIVE STATIONS IN WESTERN CANADA  
(Asterisk denotes official  
interchange)

	Alix, Alta.
*	Armstrong, B. C.
	Ashcroft, B. C.
	Asquith, Sask.
	Balcarres, Sask.
*	Basque, B. C.
	Battleford, Sask.
*	Beiseker, Alta.
	Bienfait, Sask.
	Bird's Hill, Man.
*	Brandon, Man.
	Bruderheim, Alta.
*	Calgary, Alta.
*	Camerose, Alta.
*	Carberry, Man.
	Carlyle, Sask.
	Carman, Man.
	Clover Bar, Alta.
	Coldstream, B. C.
*	Conquest, Sask.
	Deloraine, Man.
	Dodsland, Sask.
	Dorothy, Alta.
*	Drumheller, Alta.
	East Coulee, Alta.
	East Edmonton, Alta.
	East Selkirk, Man.
	East Winnipeg, Man.
	Eckville, Alta.
*	Edmonton, Alta.
	Emerson, Man.
*	Estevan, Sask.
	Fairlight, Sask.
	Findlay, Man.
*	Forrest Transfer, Man.
	Fort Whyte, Man.
*	Fort William, Ont.
	Fraser Mills, B.C.
	Frobisher, Sask.
*	Gladstone, Man.







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- 1
- 2 Glenbush, Sask.
- 3 Griffin, Sask.
- 4 Hamlin, Sask.
- 5 \* Hartney, Man.
- 6 Hatherleigh, Sask.
- 7 \* Holmfield, Man.
- 8 Hope, B. C.
- 9 Hopspur, B. C.
- 10 Humboldt, Sask.
- 11 Iffley, Sask.
- 12 Irricane, Alta.
- 13 Kalamalka, B. C.
- 14 \* Kamloops, B. C.
- 15 \* Kelowna, B. C.
- 16 Kinley, Sask.
- 17 Larkin, B.C.
- 18 Lavington, B.C.
- 19 Lehigh, Alta.
- 20 \* Lloydminster, Alta.
- 21 Lumby, B. C.
- 22 Lumby Junction, B.C.
- 23 Lytton, B.C.
- 24 Maryfield, Sask.
- 25 Matsqui, B.C.
- 26 Medstead, Sask.
- 27 \* Melfort, Sask.
- 28 \* Methven (Jct), Man.
- 29 Miniota, Man.
- 30 \* Moose Jaw, Sask.
- 31 Morris, Man.
- 32 Mossbank, Sask.
- 33 Naramata, B.C.
- 34 \* Neepawa, Man.
- 35 Nevis, Alta.
- 36 \* New Westminster, B.C.
- 37 Nokomis, Sask.
- 38 \* North Battleford, Sask.
- 39 North Vancouver, B.C.
- 40 North Vancouver Junction, B.C.
- 41 Oban, Sask.
- 42 Oyama, B.C.
- 43 \* Paddington, Man.
- 44 Peachland, B.C.
- 45 Peebles, Sask.
- 46 \* Penticton, B.C.
- 47 \* Portage la Prairie, Man.
- 48 Port Arthur, Ont.
- 49 Postill, B.C.
- 50 Prince Albert, Sask.





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- 1 Regina, Sask.
- 2 Raith, Ont.
- 3 Rapid City, Man.
- 4 \* Red Deer, Alta.
- 5 Reford, Sask.
- 6 Reynaud, Sask.
- 7 \* Rocky Mountain House, Alta.
- 8 Roland, Man.
- 9 \* Rosedale, Alta.
- 10 Rosetown, Sask.
- 11 Russell, Man.
- 12 Rutland, B.C.
- 13 St. Boniface, Man.
- 14 St. James, Man.
- 15 Salvador, Sask.
- 16 Sandwith, Sask.
- 17 \* Saskatoon, Sask.
- 18 Savona, B.C.
- 19 Scentgrass, Sask.
- 20 South Burnaby, B.C.
- 21 \* South Edmonton, Alta.
- 22 Spence's Bridge, B.C.
- 23 \* Stettler, Alta.
- 24 Summerland, B.C.
- 25 Sylvan Lake, Alta.
- 26 Tisdale, Sask.
- 27 Transcona, Man.
- 28 Trefoil, Alta.
- 29 \* Tyson, Sask.
- 30 Union Stock Yards, Man.
- Unity, Sask.
- \* Vancouver, B.C.
- 20 Vegreville, Alta.
- \* Vernon, B.C.
- 21 Virden, Man.
- 22 Wadena, Sask.
- 23 Walhachin, B.C.
- 24 Wartime, Sask.
- 25 Watson, Sask.
- 26 Westbank, B.C.
- 27 \* West Fort William, Ont.
- 28 \* Weyburn, Sask.
- 29 Willow Creek, Alta.
- 30 Winfield, B.C.
- Winnipeg, Man.
- 28 Woodsdale, B.C.
- Yale, B.C.
- 29 \* Yorkton, Sask.
- Young, Sask.













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